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British Nationality Law

The main proposal for changes in British nationality law contained in a White Paper[1] published on 30 July is for three types of citizenship to replace the present citizenship of the United Kingdom and Colonies. Nobody who is a citizen of the United Kingdom and Colonies immediately before new legislation comes into force will become ineligible for one form of citizenship and, with the exception of a small group of people nearly all of whom are overseas, nobody who has a right of abode (patriality) under the Immigration Act 1971 will lose that right. The proposed new legislation will treat women on an equal basis with men.

Proposed Changes

The White Paper sets out the lines on which the Government intends to introduce legislation to replace the British Nationality Act 1948 as soon as parliamentary time permits. It takes account of comments made in response to the last Government's Green Paper on British nationality law published in 1977 (see pp 181-3, 1977). The main proposals were summarised in the House of Commons on 30 July by the Home Secretary, Mr William Whitelaw (*Hansard*, Vol 989, No 224, cols 1516-31).

Three Citizenships

Mr Whitelaw said it was widely accepted that a new citizenship was needed, confined to those who had close connections with the United Kingdom. It was proposed that this should be established and known as 'British Citizenship'. A separate citizenship would be created for the dependencies as a whole, to be known as 'Citizenship of the British Dependent Territories'. The establishment of this separate citizenship would not alter the United Kingdom's obligations and commitments to its overseas territories. People who were now citizens of the United Kingdom and Colonies but did not qualify either for British Citizenship or the Citizenship of the British Dependent Territories would become 'British Overseas Citizens'.

Children born in the United Kingdom, the Channel Islands or the Isle of Man would normally acquire British Citizenship by birth but the Government considered there was a good case for providing, with the safeguards contemplated in the White Paper, that a child of parents neither of whom was a British citizen and neither of whom was settled in the United Kingdom should not acquire British Citizenship solely by his or her birth in the United Kingdom.

A British Citizen by birth would transmit his or her citizenship to the first generation born abroad, and, normally, to the first generation only, but children born abroad to Crown servants who were British Citizens would be citizens by birth, and there would be special provisions for children born abroad to certain other people who had close connections with business and other organisations based in the United Kingdom, or with some international bodies.

Acquisition of Citizenship

All adults, whether Commonwealth citizens or foreigners, who wished to obtain British Citizenship would do so by naturalisation. The present automatic entitlement of wives to obtain citizenship by registration would be ended. Instead, both husbands and wives would be able to apply for naturalisation on the same terms as others, though after three years' residence instead of five.

The present entitlement to acquire citizenship by registration possessed by wives and by Commonwealth citizens who were settled before 1 January 1973 would be preserved for an interim period of two years. The Government had decided not to introduce any restrictions on the holding of dual nationality by those people who came to Britain and acquired British Citizenship by naturalisation or registration.

Citizenship of the British Dependent Territories would be acquired under the same general pattern as that proposed for British Citizenship. This citizenship would not give the right of entry to a dependency other than that with which a person was connected.

British Overseas Citizenship represented, in essence, the relationship with the United Kingdom held by people connected with countries that were once part of the British Empire, or whose ancestral conections with the United Kingdom or its present dependencies were not sufficiently close to qualify them for British Citizenship or Citizenship of the British Dependent Territories. Children born after the Act came into force to parents who had become British Overseas Citizens would not themselves hold that citizenship.

[1] *British Nationality Law: Outline of Proposed Legislation.* Cmnd 7987. HMSO, £2·25. ISBN 0 10 179870 9.

Special Voucher Scheme

The Government would continue to recognise the special position, for immigration purposes, of certain United Kingdom passport holders, mainly from East Africa, and would maintain its undertaking to continue the special voucher scheme for them.

Commonwealth Citizens

It would no longer be necessary to use the term 'British subject' as the common status of all people connected with the Commonwealth. In the proposed Bill, the only expression denoting the common status of all people connected with the Commonwealth would be 'Commonwealth citizen'.

British Citizenship and Right of Abode

All those who had citizenship of the United Kingdom and Colonies at the time when the Act came into force would acquire one of the new citizenships. No one who was then a citizen of the United Kingdom and Colonies would be left without a citizenship. Generally speaking, those citizens who – or whose parents or grandparents – were born, adopted, naturalised or registered in the United Kingdom would become British Citizens. Those citizens of the United Kingdom and Colonies from overseas who had been in Britain for five years and were settled would also become British Citizens.

There was a small group of people, formerly stateless, and most of them children, who had become patrial by registration overseas, and who the Government considered ought to be given whichever citizenship their mothers acquired. Apart from these, every citizen of the United Kingdom and Colonies who was patrial would become a British Citizen, and no one who had the right of abode in Britain would lose it. In the long term, only British Citizens would have the right of abode; but individual people who were not citizens of the United Kingdom and Colonies but had the right of abode would retain it. The Bill would not adversely affect the position under the immigration law of people who were lawfully settled in the United Kingdom, whether or not they became British Citizens. Nor would it affect the Government's commitment to admit the wives and dependent children of men lawfully settled in Britain.

Applications for Citizenship

When the Act came into force there would be some applications for citizenship still outstanding. The Bill would provide that an application for citizenship that had been properly made and was still under consideration at the time when changes in the law came into effect should be dealt with according to the law at the time when it was made, though if citizenship was granted it would be whichever of the new ones was appropriate.

Citizens of the Irish Republic

The position of citizens of the Irish Republic is described in the White Paper. Their status in United Kingdom law is that they are neither British subjects nor foreigners. They apply for citizenship of the United Kingdom and Colonies under the same rules applying to Commonwealth citizens but if born before 1949 may claim under the British Nationality Act 1948 to have remained British subjects. The new Bill would provide that an Irish citizen wishing to acquire British Citizenship would have to satisfy the same conditions for naturalisation applying to citizens of Commonwealth or foreign countries. Because of the long historical connection between the United Kingdom and what is now the Irish Republic, and the close inter-relationship between families in both countries, the position with regard to claiming the status of British subject will remain unchanged. Although the term 'British subject' will not be used in the new nationality legislation it is used in a number of other statutes to define certain rights and duties, for example, voting, and eligibility for jury service and for certain public employment.

EXTERNAL AFFAIRS AND DEFENCE

Defence

The British Government has decided that a submarine force equipped with Trident missiles will replace the Polaris force as Britain's strategic nuclear deterrent in the early 1990s. Comprising four or five submarines, this force, like its predecessor, will be committed to the North Atlantic Treaty Organisation (NATO). The purchase of a new main battle tank for the Army has also been announced.

The Trident is a three-stage ballistic missile system developed by the United States and designed to carry up to eight independently targetable warheads. Its maximum range is between 4,000 and 6,000 nautical miles depending on the number of warheads. It is planned to have 16 missiles in each submarine.

The Strategic Nuclear Deterrent

In a statement in the House of Commons on 15 July (*Hansard*, Vol 988, No 213, cols 1235-51), the Secretary of State for Defence, Mr Francis Pym, said that careful study had shown that the Trident was the best and most cost-effective replacement for Polaris. The United States had affirmed its support for Britain retaining its own strategic nuclear capability and was willing to help in this on the same lines as it had with Polaris.[1] Britain would design and build the submarines and nuclear warheads in Britain and buy the Trident missile system, complete with its multiple independently targetable re-entry vehicle capability. Once bought, it would be entirely in British ownership and operational control, though the whole force would, like the Polaris force, be committed to NATO. The decision as to whether there would be four or five submarines would be taken later. The cost of a four-boat force, Mr Pym said, was estimated to be up to £5,000 million at current prices and would be spaced over 15 years. This expenditure would be accommodated within the defence budget in the normal way, alongside other major force improvements. The Government, Mr Pym added, was determined to uphold and where necessary to strengthen Britain's all-round defence capability, and this applied to its conventional forces no less than to its nuclear forces.

[1]Polaris was acquired under the Nassau Agreement of 1962. For the present agreement, see the text of letters between the British and United States Governments contained in *The British Strategic Nuclear Force*, Cmnd 7979, HMSO, 50p, ISBN 0 10 179790 7.

The decision to replace Polaris, Mr Pym stated, was one of cardinal importance, an essential reaffirmation of the Government's national commitment to security and to co-operation with its allies under the North Atlantic Treaty. Britain's continuing possession of a strategic nuclear capability remained a major element in its deterrent strategy, and a major contribution to the defence of Western Europe. The strategy, with that of Britain's NATO allies, was entirely and absolutely defensive in concept and scope. It was designed solely to preserve peace and prevent war. Until genuine wide-reaching multilateral arms control could be negotiated, Mr Pym added, any diminution in the pattern and structure of Britain's wholly defensive capability would increase rather than reduce the risk of war, especially at a time when the Soviet Union was rapidly building up its massive military strength.

Opposition Views

The official Opposition's spokesman on defence, Mr William Rodgers, said that the decision would have grave consequences for Britain, and perhaps for the world, for a long time to come. The matter raised difficult political issues because it involved a question of judgment about the state of the world and the Alliance 15 to 20 years ahead. It also raised difficult financial issues, both as to the effect it might have within the defence budget on Britain's conventional obligations, and in that, at a time of no or slow growth, it might pre-empt a large sum of money which could have gone towards more worthy programmes. Mr Rodgers believed that the case for buying Trident had not been made, and therefore could not be approved. He hoped that the Government would not proceed further with the matter until it had been fully debated in the House of Commons and in the country at large.

Main Battle Tank

On 14 July Mr Pym told the House of Commons (*Hansard*, Vol 988, No 213, written answers, cols 420-5) that a new main battle tank known as Challenger would enter service in the mid-1980s. An initial order was to be placed to equip one of the British Army of the Rhine's (BAOR) four armoured divisions with Challenger, and, subject to further study, it was assumed that enough would be finally bought to replace half of BAOR's Chieftain tanks. Challenger was similar in firepower to the Chieftain but had better protection

(Chobham armour) and more mobility. Its purchase, Mr Pym stated, would lead to a significant qualitative improvement in BAOR's forces; and, by the retention in service of the replaced Chieftains, would make it possible to deploy more tanks in war. (Mr Pym also announced that a ninth armoured regiment, equipped with Chieftains currently in reserve, would be formed in BAOR later in the year to effect an immediate enhancement in BAOR's armoured capability.) Originally the Chieftain was to have been replaced by the MBT-80, but this would not have been available until the early 1990s, and an earlier replacement was required to meet the threat posed by the Warsaw Pact. The MBT-80 programme had now been discontinued, Mr Pym stated, but a programme of tank development building on work done for MBT-80 was continuing. There would also be further study of Britain's longer-term requirements, including the replacement of the remaining Chieftains, and this would include the possibility of some form of collaborative project within NATO as well as the option of an improved Challenger.

Aspects of British Foreign Policy

British policy concerning the Arab-Israel dispute and other problems in the Middle East, the impact of recent oil price rises on the world economy, the famine in East Africa, and the problems of Southern Africa was set out by the Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington, during a debate in the House of Lords on 9 July.[1]

THE MIDDLE EAST

Lord Carrington said that the past year had seen increased tension and instability in the Middle East with the Soviet Union's invasion of Afghanistan (see pp 15-18), the Iranian revolution and the hostage issue (see pp 151-5), various inter-Arab disputes, and the continuing failure to resolve the Arab-Israel dispute. All these had created deep unease in the area and in the world as a whole, but, although closely interrelated, they were 'not all of equal significance in their impact on the region'. The matter of the American hostages held in Iran, for example, although a terrible and protracted ordeal for those involved and their families and a source of immense concern to the United States and the vast majority of the world community caring about the most fundamental principles of international law and human rights, reflected 'a far wider problem in that unhappy country' and was a symptom and not a cause.

Arab-Israel Dispute

Noting that the Arab-Israel dispute continued to cast its very long shadow over the region, the Foreign Secretary said it 'would be naïve to suppose that a settlement would immediately resolve the many complex problems of the area, or, indeed, [was] immediately very likely'. Nevertheless, progress towards a settlement was essential if the other sources of tension in the Middle East were to be tackled, for the only beneficiaries of the present dispute were extremists wishing to exploit it for their own ends.

Referring to the European Council statement issued in Venice on 13 June (see p 202), Lord Carrington said that a comprehensive settlement had to 'take into account Israel's right to a secure existence as well as the legitimate political rights of the Palestinian people'. The Venice statement was in line with the policy of successive British governments in its commitment to 'a just and lasting solution and to even-handed treatment of the rights and claims of the two principal sides to the dispute'. Although the statement had attracted some criticism from both sides, it was, in the words of President Sadat of Egypt, balanced and constructive. The next stage was to examine with all the parties concerned the practical progress that could be made.[1]

Lord Carrington said that the Venice statement had been criticised mostly for its reference to the Palestine Liberation Organisation (PLO). Although it had pointed out that the PLO would have to be associated with the negotiations, this did not constitute official recognition of the PLO. Rather it reflected European Community member states' belief that the PLO enjoyed considerable Palestinian support, both in the occupied territories and elsewhere, and that it could not be left out if a lasting peace settlement was to be negotiated. The Foreign Secretary emphasised that 'unacceptable PLO policies and actions' could not be condoned and that the Venice statement had made it clear that the PLO had to accept the principles of a negotiated settlement including Israel's right to exist.

Pointing out that Israel also had to modify some of its statements and actions, the Foreign Secretary said that it could not be repeated too often that the continuing expansion of settlements in the occupied territories made the achievement of peace much more difficult. Britain's 'fundamental commitment to Israel' did not and could not extend to its 'actions as an occupying power'. He hoped that wisdom would prevail over this damaging policy. Noting that flexibility and goodwill were needed in place of dogma and rhetoric, Lord Carrington emphasised that there was 'plenty of room for gestures which, without prejudicing negotiating positions, would help to build the necessary confidence for the negotiations between Israelis and Palestinians which must eventually take place'.

No-one was 'labouring under the illusion that Europe [was] capable of producing a settlement on its own', for full United States involvement was 'vital to the chances of peace'. Lord Carrington said that the achievements of Camp David (see pp 352-5, 1978) had been welcomed and Britain continued to wish the process well, for the

[1] *Hansard (HL)*, Vol 411, No. 162, cols 1176–279.

[1] On 22 July Community foreign ministers approved a mission to the Middle East led by the President of the Council of Ministers, M Gaston Thorn, who began the first round of talks at the end of July.

initiative by European Community member states was complementary to that process. In this new phase both sides had to be persuaded to drop the word 'never' from their vocabularies: 'There will be no settlement overnight, but, if progress has to be made by the inch rather than the mile, then so be it and let us do it that way.'

Afghanistan

In a brief reference to the Soviet Union's invasion and occupation of Afghanistan, the Foreign Secretary described it as a second major source of tension in the region, recognised as such not only in the West but by the international community as a whole. He was encouraged by recent developments which had shown that the Afghans would not abandon the struggle for their freedom and that the sovereign countries of the world would not abandon them to Soviet tutelage.

Muslim States

The third underlying problem was less tangible, for the Muslim states, particularly the oil producers around the Gulf, had seen a social and economic revolution during the past generation which was unique in human history. It had imposed 'immense strains' on the social and political fabric of these countries, for the problem was not only one of 'preserving traditional values amidst so much change, but of sharing the benefits of development'. It mirrored, and was an essential part of, the much wider problem of distribution of world resources.

OIL AND DEVELOPMENT

Turning to the question of the increase in the cost of oil, Lord Carrington stated that this was, preeminently, 'a major cause, not a symptom, of international tension, instability and distress'. Since 1978 the price of oil had risen by 140 per cent causing a net transfer of income from oil-consuming countries to the oil producers of something like $135,000 million this year and $100,000 million next year and the year after if things stayed as they were. The current account deficit of non-oil developing countries would probably reach $55,000 million in 1980, even on the assumption that they cut the growth of their imports to a minimal level. The developed countries faced a balance of payments deficit of at least $80,000 million.

The Foreign Secretary emphasised that it was difficult to exaggerate the implications of these massive figures, for the shock to the world economy was of similar magnitude to that of 1973-74 from which the world had not yet fully recovered. The consequences of the present rise in oil prices would be even more severe. In addition to huge balance of payments deficits, the developed countries faced average rates of inflation nearly double those of 1978 and rapidly rising levels of unemployment. The Venice economic summit (see pp 213-16) had been very conscious of the seriousness of these problems and had agreed that the recent increase in oil prices had virtually destroyed the prospects for growth in some developing countries. It had also expressed the hope that the consequences of these actions would be accepted by the major oil producers, for the latest increases had also 'clearly lessened the ability of the developed countries to help'.

Lord Carrington recognised that there could be no escape from the fact that all countries had to adjust to the newer and higher prices of oil. Although major efforts were being made by the developed countries to reduce oil consumption and promote substitution, the problem was even more difficult for the developing countries: they could not afford their oil imports, yet they could not manage without them. Above all they needed help in the search for new energy sources and the World Bank had been asked by the Venice summit to examine the possibility of creating a new affiliate or facility for this purpose.

Britain, the Foreign Secretary recalled, was active in the energy sector under its own aid programme, for instance, through research on new and renewable sources of energy adapted to the needs of village communities, and support for the development of the coal industry in India. The Government also looked 'to the private sector to accelerate its exploration and development of energy in the third world'. The developing countries had 'to create the right climate for private investment in the energy sector, as indeed in other fields'.

Given the facts that the processes of adjustment needed time and that the deficits of the developing countries were bound to increase in the interim, the Foreign Secretary said that action had to be taken to assist them by recycling the enormous surpluses of the oil producers. For countries able to attract the necessary finance, Britain believed that the private banking sector should play the principal role as it did from 1974 to 1976. However, some countries had insufficient access to the market and for them 'the lending programmes of the international financial institutions [would] be crucial'.

Lord Carrington pointed out that Britain was playing its part in discussions under way in the International Monetary Fund (IMF) and the World Bank by actively pursuing the implementation of IMF quota increases which would enlarge the resources available to Fund members. [A draft order authorising payment of the British share was introduced in the House of Commons on 4 July.] The Government was also advocating that 'larger sums of money in relation to quota should be made available to developing countries, the purpose being to give greater help to countries in need and to encourage them to approach the Fund before their economies deteriorate too far'. In addition support was being given to 'the search for ways of increasing the sums available for lending to developing countries at rates of interest below those of the market'. As regards the World Bank, Britain had supported the general capital increase of the Bank itself and the sixth replenishment of the International Development Association. Parliament had already approved Britain's contribution to this replenishment, and the Government was urging other donor countries to give their full support. The Government also favoured the Bank's new policy for lending to developing

countries for structural adjustment. The Foreign Secretary said that this was 'quite a considerable list' and 'firm evidence of the active and positive role' that Britain was playing and continued to play in seeking solutions.

Referring to those pressing for more action, Lord Carrington stressed the enormity of the sums involved. In view of the developed countries' high collective deficit, it was inevitable that Britain and other countries should 'look to those who [were] accumulating enormous surpluses to make a major contribution to mitigating the effects of oil price increases on developing countries'. In 1980 it would cost the oil-importing developing countries $35,000 million more to import the same amount of oil as they did in 1978, and by comparison total Western aid in 1979 amounted to $22,000 million. Yet aid to the developing countries from OPEC was below the level it was in 1975, a particularly telling statistic at a time when several African countries were facing famine.

EAST AFRICA

The Foreign Secretary said that the fact that several countries in East Africa were facing famine was properly 'a cause of deep concern to everyone', for it was generally accepted that there were well over half a million refugees in the Sudan (mostly from Ethiopia) and over a million in Somalia, a poor and underdeveloped country with a population of less than 4 million. Pehaps as many as 8 million people or more were estimated to be at risk from malnutrition and disease. These were 'problems of massive proportions, and all the countries of the developed world [had to] respond'. Immediate relief was needed – and much had already been provided – to keep people alive. Although drought was a major cause of the shortage of basic foodstuffs and water, the famine was a 'tragic symptom' of much wider problems for 'the armed conflict and lawlessness in various parts of the region [had] greatly worsened the situation, particularly by swelling the number of refugees'.

Lord Carrington said that Britain was 'contributing about £7 million through the United Nations High Commissioner for Refugees; through a direct pledge to the Government of Sudan; through the Disasters Emergency Committee's Appeal for East Africa; through [its] contribution to the various European Community programmes; and in support of the various British voluntary organisations', to which millions of pounds had also been donated by British people. Noting that it was difficult ever to feel satisfied that enough was being done quickly, and the criticism that essential goods did not get through, the Foreign Secretary emphasised that Britain was trying to accelerate the supply. The major oil-exporting countries with their current account surplus of $130,000 million had an important part to play.

SOUTHERN AFRICA

On Southern Africa Lord Carrington briefly referred to Zimbabwe, Namibia and South Africa. Noting that it was inevitable that Zimbabwe would face difficulties after the trauma of the war and the settlement (see pp 43-8) and that the economic condition of the country would need help and revival, he expressed disappointment at the amount of rebuilding aid pledged by Britain's friends and allies. The Zimbabwe Prime Minister, Mr Robert Mugabe, had to be supported, helped and encouraged 'in the moderate and sensible policies that he [was] pursuing', and the Foreign Secretary hoped that Britain's partners in the Western world would be as generous as possible.

On Namibia, where Britain and four other Western Governments were playing a part in seeking a solution, Lord Carrington said that both the hesitations of the South African Government and the natural impatience of the Front Line States and the South West Africa People's Organisation (SWAPO) had to be understood. He said that the United Nations plan for supervised elections, accepted by both parties, had and would be implemented and the remaining difficulties had to be cleared away (see pp 152-4, 1979).

As to South Africa, Britain was on record 'as condemning the system of apartheid and the repressive measures used to enforce it'. Noting that some people were saying that Britain should use the threat or actual imposition of sanctions to further reform in South Africa, Lord Carrington suspected that such a move would have 'precisely the opposite effect', for 'many South Africans would conclude that the imposition of sanctions meant that their only recourse was to abandon the present programme of reform, and to dig in for a siege against both internal and external pressures'. That would be a tragedy for Africa and for the world. In addition, sanctions would be immensely damaging to South Africa's neighbours, and oil sanctions would be 'far more damaging to the surrounding countries than to South Africa itself'.

Later in the debate Lord Trefgarne, a Government Whip, dealt at greater length with Britain's policy towards South Africa. He said that, while Britain wholeheartedly supported fundamental change in South Africa, it believed that desirable change was most likely to occur in a stable political environment. The main cause of the deep-rooted problems which afflicted South Africa was the system of apartheid which was not only morally unjustifiable but in the longer term politically untenable. While it remained, there could be 'no possibility of any lasting peace in Southern Africa'. There was tremendous potential in South Africa in the positive influence that it would exert 'if it could work in co-operation politically, economically and in human terms with the whole subcontinent'. The question was how this potential could be unlocked 'by getting South Africa to come to terms with African nationalism, rather than shrinking from it'. Time was not on South Africa's side, and the West could not protect it against 'the terrifying consequences of a failure to recognise the political imperatives of [its] situation'. This applied over Namibia, where flexibility needed to be shown by all the parties involved, but still more to the internal situation where the onus lay on South Africa alone to accelerate the process of reform.

European Community

The benefits Britain enjoys through membership of the European Community were emphasised by the Lord Privy Seal, Sir Ian Gilmour, in a House of Commons debate on 31 July.[1]

COMMONS DEBATE

Political Co-operation

Noting that Europe was a 'bulwark of democracy and stability in a highly unstable world' and that it was surrounded by volatile areas and by countries and regions with which relations could be difficult and potentially dangerous, Sir Ian believed that one of the Community's great successes to date had been the progress made in the co-ordination of the foreign policies of member states. The Community was a powerful force in the United Nations, where member states regularly voted together, and had played a helpful role on Zimbabwe and on the Conferences on European Security and Co-operation. The European Council in Venice had considered the problems of Afghanistan and the Middle East and a valuable contribution had been made in both areas (see pp 202–3). The British proposal for a neutral and non-aligned Afghanistan, launched by the nine Community foreign ministers in February (see pp 73-4) was an important move for it had demonstrated the hollowness of the Soviet Union's excuses for its invasion and at the same time had 'pointed a way forward for all countries with a genuine interest in peace'. The initiative had won widespread support, and the Islamic countries, currently in the forefront of attempts to find a solution to the problem, had found the proposals helpful.

On the Middle East Sir Ian said that the Soviet occupation of Afghanistan could not be condemned while ignoring 'the parallel which the Arabs [drew] with Israeli occupation of Arab territories'. Neither could Europe call on the Soviet Union to let the Afghans determine their own future and deny the same right to the Palestinians. Noting that instability in the Middle East could only be to the advantage of the Soviet Union, Sir Ian said that this was the reason why the nine heads of Government at Venice had decided to send a mission to the Middle East to see whether Europe could make a contribution to achieving lasting peace in the area. The mission was a big step forward for Europe because hitherto it had 'often reacted after the event'. Although the problem could not be solved by Europe on its own, any contribution it could make would be one towards 'stability and security throughout the West'. Moreover, Britain's friends and allies elsewhere in the world wanted it, as a significant voice in international affairs, to be a full member contributing to the strengthening of the Community; the Government of Saudi Arabia in its official statement on the outcome of recent talks with Britain (see p 242) had referred to 'the effective role played by Britain on the international level generally and especially within the European Community'.

Further details about Britain's attitude to political co-operation were given by Mr Douglas Hurd, Minister of State at the Foreign and Commonwealth Office, who wound up the debate for the Government. Mr Hurd said that Britain wanted political co-operation to be improved and developed. It was important that consultation and co-ordination among the Nine should be more rapid, and Britain had suggested a system 'whereby a request from any three countries would trigger a meeting within 48 hours'. This would not, however, affect the rule that decisions were taken by consensus but would enable the process to get underway more quickly. Britain believed that the political commitment for co-operation could be made stronger, and was proposing that the Nine 'should reaffirm the priority of consultation among themselves on all foreign policy matters and the need to take account of their partners' views in forming national policies'. Mr Hurd said that this strength and commitment should be matched by improved machinery with possibly a permanent staff at the disposal of the presidency although other arrangements might be envisaged. These were limited but practical suggestions designed to improve what was clearly 'one of the success stories of the Community'.

External Economic Relations

Discussing external economic relations, Sir Ian Gilmour recalled that the Community was currently contributing about 39 per cent of all economic aid to the developing world, compared with the 25 per cent contribution made by the United States and the 1 per cent made by the Soviet Union. The Community took 25 per cent of all developing country exports, the same figure as the United States, while the Soviet Union took 2 per cent. Through the Lomé Convention (see p 322, 1979) the Community offered trade concessions and financial aid to 58 African, Caribbean and Pacific countries. In addition it had a generalised system of preferences giving developing countries access to its markets, a food aid scheme, an emergency aid scheme and a growing aid programme to countries outside the Lomé Convention.

On external trade the Community had built up an extensive network of trade relationships with Third World countries giving it 'immense weight in international trade negotiations' such as agreements to reduce tariffs and the multifibre arrangements which covered a wide range of individual countries and groups of countries in the developed and developing world. The only major gap was Eastern Europe; but here also the Community interest lay 'in the establishment of normal trade relations with individual East European countries, and it [had] recently initialled a sectoral agreement with Romania'.

Trade Advantages

Turning to British economic relations with the Community itself, Sir Ian said that a unique opportunity had been given to Britain by the

[1] *Hansard*, Vol 989, No 225, cols 1767-878. The debate, initiated by the Opposition, was on the Government's White Paper on developments in the European Community in 1979 (see p 87).

Community's domestic market, strength in economic negotiations and primary position in world trade. Since trade accounted for one-third of British gross national product, Sir Ian asked how the advantages from tariff-free access to the Community market of 250 million could be replaced. The British market of a mere 55 million offered 'no comparable opportunity'.

Sir Ian said that Britain had done better in its trade with the Community than with the rest of the world. It was Britain's fastest growing export market, the value of visible exports (including oil) to other member states increasing by 500 per cent between 1972 and 1979; this compared with an increase of visible exports to the rest of the world of 250 per cent over the same period. Forty-two per cent of British visible exports went to the Community compared with 30 per cent before membership. The Federal Republic of Germany had taken the place of the United States as Britain's largest market with exports worth £4,200 million in 1979. In the same year visible exports to the Community increased four times as fast as those to the rest of the world compared with 1978; exports of manufactured goods to the Community increased by 20 per cent and to the rest of the world by less than 5 per cent. Noting that Britain's share of world exports had fallen for several decades, Sir Ian said that between 1972 and 1979 the export-import ratio of trade in manufactures had deteriorated by 19 per cent with the Community and by 22 per cent with the world as a whole.

Overseas firms, Sir Ian observed, had shown that they were more likely to invest in Britain as a member of the Community. In the period 1969-72, just before entry, Britain had taken 22 per cent of United States non-oil investment in Europe, but in the period from 1972 to 1976 that figure had grown by nearly 50 per cent.

As a major trading nation Britain shared with its partners 'a common interest in stemming any further slide into restrictive trade practices'. Alone, Britain's voice would be very small. Noting that the Community was 'possibly the most powerful negotiating unit in the world' and that it accounted for 17 per cent of world trade (over 30 per cent if intra-Community trade was included), compared with the United States' share of 14 per cent and the Soviet Union's share of 2 per cent, Sir Ian emphasised that this kind of economic weight was of major importance in achieving objectives in world political and economic negotiations. On the other hand, when protectionist measures had become inevitable because of sudden new competition, the Community had shown that it could act more effectively than the member states on their own. The steel anti-crisis measures introduced in January 1978 were a case in point. Sir Ian believed that the benefits of collective economic action would be increasingly experienced 'particularly in high technology, where the cost of research [was] astronomical'. The atomic fusion research project at Culham was an example of such an initiative, and the European Airbus, on which a number of member states had co-operated, was selling on a scale second only to Boeing.

Budget Agreement

Turning to the recent agreement on Britain's contribution to the Community budget (see pp 182-4), Sir Ian described it as 'by any standards a remarkable achievement' for it showed that, 'when a member state has a serious problem, the Community responds'. Satisfactory progress had so far been made on the legislative texts which would implement the agreement; the Foreign Affairs Council in July had reached broad agreement on the draft regulation amending the 1975 financial mechanism, and work on the regulation providing for supplementary expenditure in Britain was continuing at official level and would come to the Foreign Affairs Council on 15 September.

The significance of the budget agreement was twofold in that it provided 'major short term relief both in the form of cash and in the support of expenditure programmes', and the Community had pledged 'to resolve the problem by means of structural changes'. The Commission was 'to examine the development of Community policies with the aim of preventing the recurrence of unacceptable situations for any member state'. Moreover, the whole operation of the Community budget and of the Common Agricultural Policy (CAP) was to be reviewed. This was 'a major undertaking by the Community' and the best opportunity it had ever had 'to get the problems of CAP expenditure under control . . . and to work towards a budgetary structure which [would] provide a reasonable balance of cost and benefit for all the member states so that they all have a positive interest in the future development of the Community'.

Structural Change

Sir Ian noted that the enlargement of the Community provided both an occasion and an impetus for structural change. Although the cost to the member states would depend on the progress of restructuring and of the accession negotiations, there would be financial benefits for Britain in terms of opportunities for increased trade. More importantly Britain had a 'broad political interest in supporting democracy in the applicant countries' and remained 'committed to the success of the Portuguese and Spanish entry negotiations'. [Greece will become the tenth member of the Community in January 1981.]

On restructuring, Sir Ian said that Britain had 'no rigid position at this stage' for much preliminary work and internal discussion remained to be done. Britain would aim to have this completed well before the Commission produced its proposals in June 1981. Even at this preliminary stage it was possible to identify areas where some form of structural change might be desirable, notably the operation of the own resources system of Community finance. The Federal German Government had issued a statement on 5 June agreeing with the Community decision to correct imbalances in the budget by structural changes and saying that discussion should take place on whether a maximum limit should be arranged for the net contribution of an individual

member state and whether a similar principle should be applied to states that were net beneficiaries. This demonstrated that Britain's partners also saw the 30 May agreement as an opportunity for considering significant structural changes.

Agriculture

Turning to the subject of the proportion of Community expenditure on agriculture, Sir Ian said that this, too, would have to be examined. There were two aspects of this: how to reduce the proportion of the budget – nearly 75 per cent – spent on agriculture, and how to increase that devoted to non-agricultural expenditure. Expenditure on the CAP had been growing at a much higher rate than the increase in the Community's own resources, and in 1980 expenditure on the disposal of agricultural surpluses would account for well over half the Community budget. The dairy surplus was particularly acute. Noting that successive British governments had agreed that the wasteful aspects of the CAP had to be eliminated and its overall costs brought under closer control, Sir Ian said that the Government had negotiated price settlements in 1979 and 1980 averaging just over 3 per cent per annum. These increases were much less than the rate of inflation and had given Britain greater benefits than previous price settlements. Specific measures to tackle the dairy problem had been negotiated, the butter subsidy for the British housewife had been retained, and a generous deal had been obtained for the whisky industry.

Although Britain would continue to press for restraint in agricultural prices, it was clear that the Community faced a serious problem that could not be 'successfully solved in the context of the annual price settlement alone'. An added incentive to review the operation of the CAP had been given as a result of the budget agreement since other member states had to provide an increased share in its cost. Both the Federal German Chancellor and French ministers, including President Giscard d'Estaing, had indicated that considerable improvements in the workings of the CAP were necessary. On 5 June, for example, President Giscard had told the French Chamber of Agriculture that, while the fundamental principles of the CAP were sacrosanct, certain expenditure was growing too quickly and some mechanisms were out of date. Britain, Sir Ian added, had no quarrel with the objectives of the CAP and saw no reason why adequate changes, fully consistent with these objectives, could not be made.

New Policies

Discussing the expansion of non-agricultural activities, Sir Ian said that Britain did not believe that new policies should be used to justify breaking 'the 1 per cent value added tax ceiling'.[1] The British Government would be no less rigorous in its demands on the Community to control expenditure than it was on its own public expenditure.

[1]Under the Community's own resources system of finance, its income consists of duties on imports from third countries, levies charged on imported agricultural produce, and the yield of a notional value added tax of up to 1 per cent on a harmonised Community basis.

European Parliament

Sir Ian observed that 1979 had seen the first direct elections to the European Parliament: the Government warmly welcomed these 'as a way of increasing the participation of the people of the Community in its affairs'. The members of the new Parliament had been active and energetic in their work, the most striking example being the rejection of the 1980 Community budget at the end of 1979. Whatever the view taken of this action, within the scope of the treaties the Parliament had 'the full right to use its existing powers'; if it did not, it would be a sign of weakness.

Conclusion

In conclusion Sir Ian described the fundamental reasons for British Community membership as 'every bit as valid now as they were when successive Governments of both parties in the 1960s applied for entry, and when [Britain] joined in 1973'. Although economic benefits had not flowed as freely and as fast as had sometimes been predicted, it had to be asked how much of this was the fault of the Community and how much was due to other causes, notably world recession and problems of Britain's industrial performance which had long preceded Community membership. There was 'nothing to be gained and everything to be lost' if Britain were to change its mind about Europe now. Parliament had voted overwhelmingly in 1971, and the country in 1975, for membership, because the alternatives looked unattractive. With the budget settlement the problems of transition had been largely overcome, and British businessmen had 'adjusted to vast increased trading prospects with Europe'. The other member states were just now beginning to accept Britain as a full partner in the enterprise, with a stake in its future. It would be 'madness – after seven short years – to throw everything into reverse' and Britain's effort and reputation with it. There was no case for doing so. The Government had shown its 'wholehearted commitment to Europe' which had 'paid dividends', for Britain had had 'some remarkable successes'. There was no better course for Britain.

Opposition View

The Opposition foreign affairs spokesman, Mr Peter Shore, who opened the debate, said that, although he was unimpressed by the results of political co-operation, he was not opposed to it in principle as it was far closer to the 'right kind of alliance relationship that Britain should have with the [Community] than ... the confederal and quasi-federal arrangements' that controlled its affairs under the Rome Treaty. It was a pity that so far it had 'proved beyond the reach of member states to make agreements in external affairs in those areas where they [could] have substantial impact'. On the Middle East the Nine could have a helpful influence if they co-ordinated and reduced their arms supplies to the area. The second part of the world where political co-operation could be effectively developed was Latin America where there were many dictatorial military regimes; if the Community was effectively to be a league of democracies, consistent support

for democracy elsewhere had to be a guiding light of political co-operation.

Referring to Zimbabwe, where Britain had made a 'considerable initial contribution' towards resettlement and reconstruction after many years of war, Mr Shore emphasised that Zimbabwe's needs went far beyond the British purse and that Community member states could and should make a contribution. It was equally important for the Nine to maintain pressure on South Africa over the conditions of work of African employees of European firms and the question of externally supervised elections in Namibia.

Turning to the external economic policies of the Community, Mr Shore claimed that there had been a failure at the Venice European Council of 13 June and the Economic Summit of 22-23 June (see pp 213-16) even to begin to formulate policies to fight the world recession. Both communiqués contained 'an over-simple reiteration of the dangers of inflation', and the nine member states had accepted further deflationary measures with 'a shrugging of the shoulders at the consequences for the world of these policies'.

On internal Community affairs Mr Shore said that the budget was swollen and totally unbalanced by the weight of agricultural expenditure. Britain's contribution remained an outrage. The agreement of 30 May was a 'temporary amelioration' since the scope for policy change was circumscribed by the terms of reference of the Commission's study instructing it not to call into question common financial responsibility for policies financed from own resources nor the basic principles of the CAP. However, opportunity for change was there and he hoped that the Government would make major proposals for fundamental change in the CAP and the 'absurd and arbitrary' own resources financial system. All these matters had a direct bearing on the Community doctrine of convergence yet figures showed that in 1973 Britain's gross national product per head was 95 per cent of the Community average and this had dropped in 1978 to 92 per cent. In a large common market with unrestricted free movement of goods, capital and labour the natural tendency was for the relatively strong to grow stronger and the relatively weak to become weaker.

Common Fund for Commodities

After four years of negotiations, agreement on a treaty to establish the Common Fund for Commodities was reached in Geneva on 27 June. The agreement, which was concluded at a negotiating conference held under the auspices of the United Nations Conference on Trade and Development (UNCTAD), was signed by over 90 countries, including 50 from the developing world.

The idea of a Common Fund was proposed at UNCTAD's fourth conference in Nairobi in 1976 (see pp 285-8, 1976) as one of the twin pillars of the Integrated Programme for Commodities, the other being the conclusion of individual commodity agreements (ICAs) to be associated with the Fund. Agreement on the fundamental elements of the Fund, principally its two accounts (sometimes called the First and Second Windows) and their broad financial provisions, was reached in March 1979 (see pp 92-3, 1979). The agreement reached in Geneva will come into force when at least 90 states representing two-thirds of the directly contributed capital of $470 million have ratified it. A second condition, the raising of half the $280 million required in direct voluntary contributions for the second account, has already been fulfilled.

First Account

The purpose of the Fund's First Account is to contribute to the financing of buffer stocks and of internationally co-ordinated national stocks operated by ICAs, and thereby to reduce excessive fluctuations in commodity prices. Though up to $470 million of directly contributed capital will be committed to the Fund by its own members, the financing of the First Account will be based essentially on commitments from the members of the associated ICAs. These will deposit with it in cash one-third of the finance needed to acquire their stocks together with guarantees (guarantee capital) covering the remaining two-thirds. When an ICA purchases stock, it will withdraw its cash deposit and be able to borrow the balance of its requirements from the Fund. The Fund's lending for this purpose will be financed mainly from market borrowing.

One of the final issues resolved at Geneva was the extent to which the guarantees provided by participants in one ICA could be called upon to cover the liabilities incurred by another ICA in which they also participated (that is, the guarantees' 'fungibility'). It was agreed that, in the event of an ICA defaulting, not only should the guarantees provided by its participants be called, but, if these proved insufficient, their guarantees in other ICAs also. If this also proved insufficient for the Fund to meet its liabilities, it was agreed that the directly contributed capital should be increased to meet the amount needed, and that the Fund's Governing Council would meet in emergency session to determine how this should be achieved.

Of the $470 million of directly contributed capital, up to $150 million (depending on the number of countries which eventually join the Fund) will come from a minimum equal amount (MEA) to be subscribed by each member. Part of this may be allocated on a voluntary basis to the Fund's Second Account (see below), and it is hoped that this will amount to $70 million. Subscriptions to the remaining $320 million will be divided between the UNCTAD regional groups as follows: the Group of 77 (developing countries), $151 million; Group B (developed countries), $241·6 million; Group D (Communist countries), $46 million; the Chinese People's Republic, $16 million; and others, $15·4 million. Britain's total commitment will be $15·1 million.

The First Account cannot come into operation until ICAs are associated with it. At present, the

only prospective candidates are the rubber, tin and cocoa agreements. Negotiations on a new tin agreement, which were suspended in May, are expected to resume later this year or in early 1981; while those on a new cocoa agreement broke down in March, but informal consultations are currently under way in an attempt to restart them. A new agreement on rubber, concluded in October 1979, will come into force on 1 October providing it is ratified by sufficient members. The Integrated Programme for Commodities envisages ICAs for 18 commodities, including, as well as those mentioned above, coffee, copper, cotton, tea, sugar (a new ICA for which was agreed in 1977), jute, hard fibres and eight others.

Second Account

The Second Account will be used to support commodity development measures other than stocking (such as research and development and measures to improve productivity) aimed at improving structural conditions in markets and at increasing the long-term competitiveness of the products concerned. It will be financed by voluntary contributions from members – up to $280 million (of which $230 million has already been pledged) directly and the $70 million from the MEA mentioned above. Britain has promised to make a contribution. It is expected that operations will begin immediately after the agreement on the Fund enters into force.

Voting

All important decisions in the Fund will be subject to qualified majorities of two-thirds or three-quarters of the total votes cast. The agreement provides for the distribution of votes to be broadly as follows: 47 per cent for the Group of 77 countries; 42 per cent for the Group B countries; 8 per cent for the Group D countries; and 3 per cent for the Chinese People's Republic. (These voting shares are based on the assumption that all countries will join the Fund. However, if there is a significant shortfall in membership leading to distortions in the regional groups' respective shares, the Fund's Governing Council will review the distribution at its first session.)

Vanuatu

The Anglo-French Condominium of the New Hebrides became the independent Republic of Vanuatu on 30 July 1980. The first President of Vanuatu is Ati George Sokomanu; its first Prime Minister is Father Walter Lini, the former Chief Minister and leader of the Vanuaaku Pati. On independence, Vanuatu became the forty-fourth member of the Commonwealth. It also became a member of the French-speaking Association for Cultural and Technical Co-operation.

The independence constitution was agreed by a Constitutional Conference in September 1979 (see pp 5-7), its provisions having been drafted by a broadly based constitutional committee including representatives of the then Government of National Unity, the political parties, the chiefs and the churches. It provides for a President elected by an electoral college, a unicameral Parliament elected on a basis of universal adult suffrage, and a Council of Ministers collectively responsible to Parliament. It also provides for the electoral system to include an element of proportional representation so as to ensure fair representation for the different political groups and opinions in the country. In addition, the 1979 Constitutional Conference agreed to the establishment before independence of Regional Councils for the islands of Espiritu Santo and Tanna. In elections held in November to elect the government to lead the New Hebrides to independence, the Vanuaaku Pati, led by Father Lini, obtained 26 of the 39 seats in the then Representative Assembly and also majorities in both Regional Councils.

At the end of May 1980 dissident elements led by Mr Jimmy Stevens, a local chief, seized control of Espiritu Santo and declared its secession from the New Hebrides. Similar disturbances on Tanna in June were put down by the New Hebrides Government. In July a joint British-French mission visited the islands for talks with the New Hebrides Government and the rebels on Espiritu Santo with a view to securing a peaceful settlement of the differences between them which would safeguard the territorial integrity of the New Hebrides and involve no changes to the independence constitution. The mission's progress was reviewed by British and French ministers meeting in Paris on 19 July, and these, while recognising that the efforts to achieve a negotiated solution had not yet proved successful, agreed that independence should take place as planned on 30 July. They also agreed that, while the mission should continue its efforts to establish a dialogue between the Government and the various opposition groups, the British and French Governments could not allow the secessionists to continue blatantly to flout the authority of the legitimate Government. In consequence, a joint British-French force landed on Espiritu Santo on 24 July to restore the authority of the central Government. The operation was carried out peacefully, with no casualties and no shots being fired. At the Vanuatu Government's request the troops remained on Espiritu Santo for a short time after independence. They have since been replaced by Papua New Guinea troops brought in at the request of the Vanuatu Government.

Britain will continue to provide development assistance to Vanuatu, and has offered an aid package worth £23 million for the immediate post-independence period. This consists of £6·4 million in budgetary aid and £4 million for technical co-operation for the financial years 1980 and 1981, together with £13 million development aid for mutually agreed projects over an unspecified period.

[For further information on Vanuatu and on its progress to independence see COI reference publication *Vanuatu*, No 44/Factel/80.]

Shorter Notes

UK-SAUDI RELATIONS

The Government of Saudi Arabia is to send its new ambassador to London, and the British ambassador is to return to Jedda, following talks in Jedda on 26-28 July between Mr Douglas Hurd, Minister of State at the Foreign and Commonwealth Office, and the Saudi Foreign Minister, Prince Saud Al Feisal. The Saudi Government had refused to send a new ambassador to London following the showing by British television in April of the film *Death of a Princess* (see pp 155-6) and had asked the British ambassador to leave. On his departure from Jedda airport on 28 July, Mr Hurd said that he had visited Saudi Arabia 'to underline the British Government's regret at the understandable offence caused by the showing of the film . . . , and to propose certain ideas and procedures which would contribute to the restoration of mutual understanding and the future development of friendly relations'. The arrangement over the ambassadors demonstrated 'the agreement of both Governments to conduct all aspects of their relations in accordance with the traditional friendship between them'. Mr Hurd said that the Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington, would visit Saudi Arabia on 26 August to discuss 'the many international problems in which the two countries have a common interest and on which they wish to work together'.

Oil and Gas

The Government's views on oil depletion policy – that it is in the national interest to prolong high levels of offshore oil production to the end of the century – have been outlined by the Secretary of State for Energy, Mr David Howell. Permission has been given for the construction of a major new pipeline to bring ashore gas from a number of oilfields in the northern North Sea. The Department of Energy's annual review of Britain's offshore oil and gas developments reports a substantial increase in offshore oil production in 1979 and net self-sufficiency in oil is expected to be attained later in 1980. Latest official estimates indicate that North Sea oil and gas will nearly double their contribution to Britain's gross national product during the early 1980s to over 4 per cent and that their contribution to government revenues will also grow substantially. In 1979-80 the British Gas Corporation achieved a record level of profits.

OIL DEPLETION POLICY

Mr Howell made a statement on the Government's oil depletion policy in the House of Commons on 23 July (*Hansard*, Vol 989, No 219, written answers, cols 226-7). He said that from later in 1980 Britain's oil production would regularly reach a level equivalent to oil consumption. Thereafter production was expected to rise to a peak in the mid-1980s giving a significant surplus over consumption in the 1980s as a whole. However, Britain was likely to become a net oil importer again by about 1990. Recent events underlined 'the fragilities of the world energy scene'. The Government believed that 'on strategic and security of supply grounds' it was 'in the national interest to prolong high levels of UKCS [United Kingdom Continental Shelf] production to the end of the century'. This required action to increase exploration, which the Government had already taken (see pp 168-9),[1] and to defer some oil production from the 1980s. Such action accorded 'fully with the recommendations to maximise indigenous hydrocarbon production on a long-term basis' and with Britain's other international commitments including net exports of 5 million tonnes in 1985 as agreed in the European Community and the International Energy Agency (see p 28).

Mr Howell noted that, in view of the major uncertainties about future levels of oil production and consumption, there could be no rigid plan. He said that the Government would 'continue close supervision over reservoir performance at existing fields and scrutinise new applications for field developments to ensure good oilfield practice consistent with optimum oil and gas recovery in the national interest'. Decisions would continue to be taken for each individual field, but greater emphasis would be given to 'the need to limit the sharpness of the peak in production'. Mr Howell reaffirmed the Government's commitment to honour the assurances on oil production and development given by the then Secretary of State for Energy, Mr Eric Varley, in 1974 (see p 476, 1974)[1] on the basis of which heavy investment had been undertaken by the oil companies. He said that the Government would consider delaying the development of those fields discovered after the end of 1975 which were not covered by Mr Varley's assurances and would also continue to tighten controls on gas flaring. However, the Government had taken no decision on whether to have production cutbacks from earlier finds which under Mr Varley's assurances it could not implement before 1982. He believed that this flexible approach was the right one and took account of 'both the needs of those involved in the difficult business of oil production and, more important, the long-term national interest'.

GAS-GATHERING PIPELINE

Government approval for the construction of a £1,100 million gas-gathering pipeline in the north-

[1]A record number of applications for licenses under the seventh round of offshore oil and gas production licensing has been made, according to a statement on 11 August by the Minister of State at the Department of Energy, Mr Hamish Gray. Mr Gray said that 125 applications had been submitted by a total of 204 companies covering 95 blocks including 40 from the defined area where companies were able to apply for any blocks. The response clearly showed 'a renewed confidence by those who wish to invest in the North Sea'.

[1]These assurances offered a number of safeguards to operators: no delays would be imposed on the development of finds made up to the end of 1975; no cuts would be imposed on production from such finds until 1982 or four years after the start of production, whichever was the later; no cuts would be imposed on production from finds made after 1975 under the first to fourth rounds of offshore production licences until 150 per cent of investment in the field had been recovered; any later use of powers would have full regard to the technical and commercial aspects of the fields concerned, and cuts would, in general, be limited to a maximum of 20 per cent; and the needs of the offshore supply industry for a continuing and stable market would be taken into account.

ern North Sea was announced by the Secretary of State for Energy in the House of Commons on 19 June (*Hansard*, Vol 986, No 196, written answers, cols 596-8). Mr Howell said that with current high energy prices and the growing industrial demand for natural gas, Britain's offshore gas reserves represented 'an increasingly precious national resource'. The Government was 'determined to make the most of that asset and to eliminate uneconomic waste of gas by flaring'. He particularly welcomed the report by a study team from the British Gas Corporation and Mobil[1] which had recommended the construction of a new offshore gas pipeline system from the area of the Statfjord field (see map, p 245) via quadrant 16 to St Fergus (Grampian) with a northern spur from the Magnus field and a longer southern spur from the Fulmar field. Fields along the route would be connected by lateral pipelines and there would be provision for links from other fields discovered later. The system would be designed to take a high proportion of natural gas liquids. At a terminal at St Fergus, gas to the specifications of the British Gas Corporation would be separated from the natural gas liquids. The report had concentrated on proposals for piping remaining liquids for treatment at Nigg Bay (Highland), but had also considered other possibilities.

Mr Howell said that the Government had given careful consideration to the study team's report and the implications of its general recommendations. While noting that applications for pipeline authorisations and planning permissions would need to be made in due course, the Government considered that 'a pipeline system along the general lines recommended would be in the national interest. The integrated gas-gathering concept would, through its economies of scale, both allow the development of smaller gas accumulations and facilitate the most economic collection of larger gas deposits.' It was expected to reduce wasteful offshore flaring, encourage further exploration in adjacent areas, help to maintain supplies of natural gas and provide valuable opportunities for petrochemical development.

Mr Howell said that the Government considered it important that 'a gas-gathering system should be constructed as quickly as possible, with the aim of bringing gas ashore from 1984-85'. He had therefore invited the British Gas Corporation, Mobil and British Petroleum to form, together with a financial adviser, an organising group which would 'develop proposals for how a pipeline organisation could best be structured and financed as a private utility transmission company outside the public sector'. He envisaged that the British Gas Corporation would take up 30 per cent of the equity of the company, with the remainder of the equity being offered in appropriate proportions to financial institutions, licensees and customers for the natural gas liquids and, if Norwegian gas were to be transmitted through the pipeline, Norwegian concerns. He also envisaged that 'the company would be financed substantially by loan finance raised from the markets and without government guarantee'. The organising group intended to carry out its work so that a pipeline company could be formed in autumn 1980.

[1] *A North Sea Gas Gathering System.* Energy Paper No 44. Department of Energy. HMSO, £6·25. ISBN 0 11 410801 3.

ANNUAL REVIEW

The annual report on the development of Britain's oil and gas resources was published on 30 June.[1]

Oil Production, Reserves and Exports

Britain's oil production rose by over 44 per cent to nearly 78 million tonnes in 1979, equivalent to about 83 per cent of oil requirements. Fourteen offshore fields were producing oil (see Table 1) including two fields – South Cormorant and Statfjord (UK) – which began production in late 1979. The increase resulted from the high levels of production achieved in the Brent field for most of the year and the build-up of output from the Dunlin and Ninian fields. Three more offshore fields – Buchan, Murchison (UK) and Tartan – are expected to come onstream later in 1980. Towards the end of 1980 Britain's oil production should have increased to a rate roughly equivalent to net self-sufficiency in oil, but net imports will still be required for the year as a whole. Forecasts of oil production for 1980 are 80-85 million tonnes, rising to 85-105 million tonnes in 1981, 90-120 million tonnes in 1982, 95-130 million tonnes in 1983 and 95-135 million tonnes in 1984. These are lower than previous estimates and the report says that 'this is because experience has shown that with technical and weather difficulties and some problems of reservoir performance at some existing fields greater account should be taken of possible delays which would defer some of our production beyond the first half of the 1980s'.

Cumulative oil production to the end of 1979 was 179 million tonnes. After deducting this amount from the original quantity of recoverable reserves in the UKCS, estimated to be between 2,200 million and 4,400 million tonnes, remaining recoverable reserves are estimated at 2,000-4,200 million tonnes.

Not all the crude oil from the UKCS is used in Britain; about half is exported and cheaper crude oils are imported to meet the balance of refinery needs. Exports of crude oil amounted to 38·9 million tonnes in 1979, of which 22 million tonnes went to other European Community countries, the largest recipient being the Federal Republic of Germany (9·6 million tonnes), and the remainder went to other European countries and North America.

Gas Production and Reserves

Over 39,200 million cubic metres (mcm) of natural gas were produced from the UKCS in 1979, accounting for 81 per cent of primary gas demand, compared with 88 per cent in 1978. The fall reflected an increase in the proportion of gas derived from the Norwegian sector of the Frigg field and a reduction in output from fields in the southern North Sea. Output of the main gasfields

[1] *Development of the Oil and Gas Resources of the United Kingdom 1980.* Department of Energy. HMSO, £3·75. ISBN 0 11 410798 X.

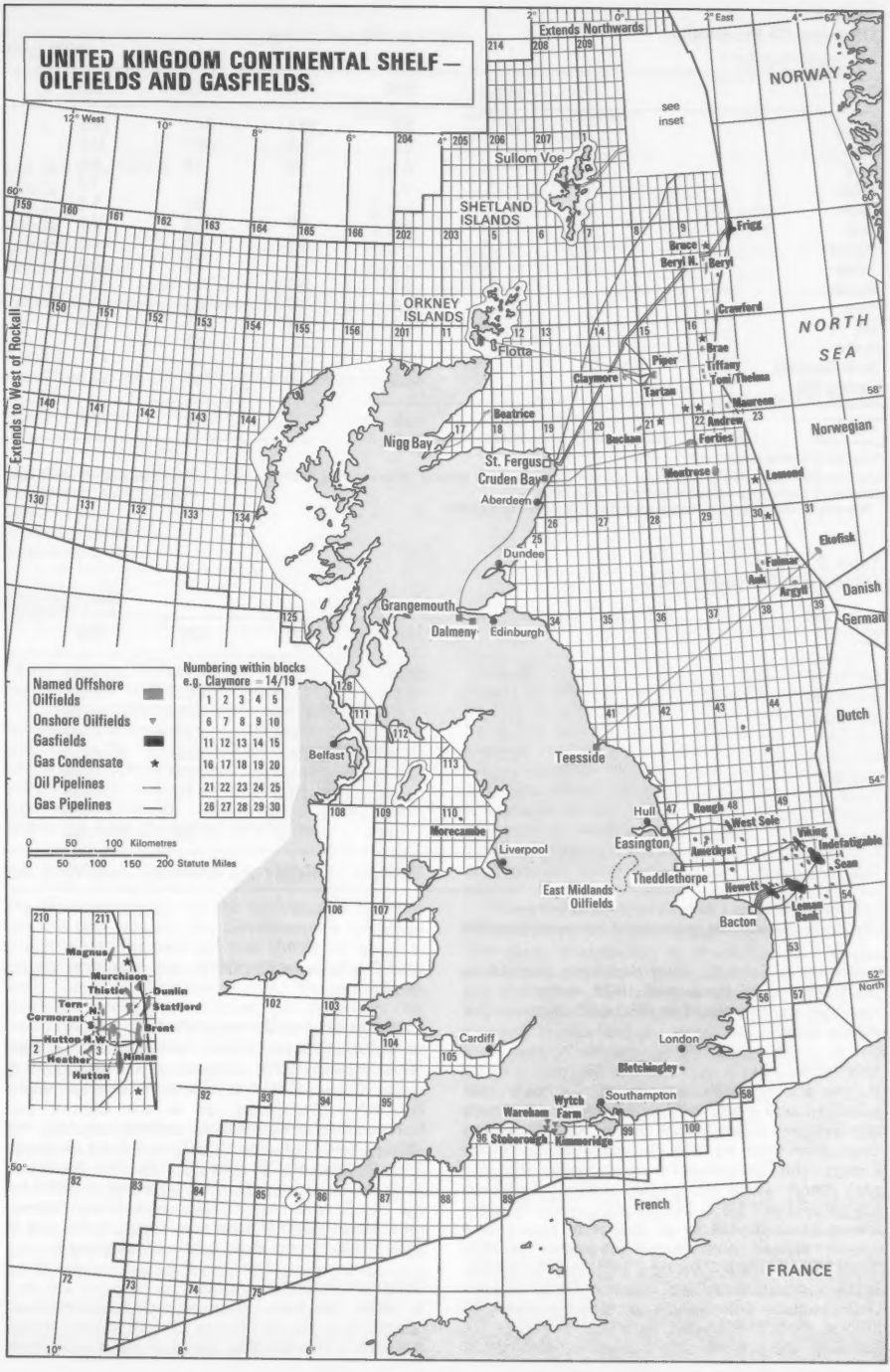
UNITED KINGDOM CONTINENTAL SHELF — OILFIELDS AND GASFIELDS.
Extends Northwards
see inset
NORWAY
Sullom Voe
SHETLAND ISLANDS
ORKNEY ISLANDS
Flotta
Extends to West of Rockall
NORTH SEA
Norwegian
Danish
German
Dutch
FRANCE
French
Frigg
Bruce
Beryl N.
Beryl
Crawford
Brae
Tiffany
Toni/Thelma
Piper
Claymore
Tartan
Maureen
Andrew
Forties
Beatrice
Buchan
Nigg Bay
St. Fergus
Cruden Bay
Aberdeen
Montrose
Lennond
Ekofisk
Fulmar
Auk
Argyll
Dundee
Grangemouth
Dalmeny
Edinburgh
Belfast
Teesside
Hull
Rough
West Sole
Viking
Indefatigable
Sean
Easington
Amethyst
Theddlethorpe
East Midlands Oilfields
Hewett
Lemon Bank
Bacton
Morecambe
Liverpool
Cardiff
London
Bletchingley
Southampton
Wytch Farm
Wareham
Stoborough
Kimmeridge
Magnus
Murchison
Thistle
Dunlin
Statfjord
Brent
Tern
Cormorant N.
Hutton N.W.
Heather
Hutton
Minian
Named Offshore Oilfields
Onshore Oilfields
Gasfields
Gas Condensate
Oil Pipelines
Gas Pipelines
Numbering within blocks e.g. Claymore — 14/19
0 50 100 Kilometres
0 50 100 150 200 Statute Miles

Table 1
Offshore Oil Production

million tonnes

Field	1975	1976	1977	1978	1979
Forties	0·6	8·6	20·1	24·5	24·5
Piper	—	0·1	8·6	12·2	13·2
Brent	—	0·1	1·3	3·8	8·8
Ninian	—	—	—	*	7·7
Dunlin	—	—	—	0·7	5·7
Beryl	—	0·4	3·0	2·6	4·7
Claymore	—	—	0·3	3·0	4·0
Thistle	—	—	—	2·6	3·9
Montrose	—	0·1	0·8	1·2	1·3
Argyll	0·5	1·1	0·8	0·7	0·8
Auk	—	1·2	2·3	1·3	0·8
Heather	—	—	—	0·1	0·8
South Cormorant	—	—	—	—	*
Statfjord (UK)	—	—	—	—	*
Total	1·1	11·6	37·3	52·8	76·5

*Less than 0·05 million tonne.

Note: Total UKCS and onshore oil production in 1979 was 77·9 million tonnes comprising offshore crude oil 76·5 million tonnes, heavier natural gases 0·8 million tonne, condensates 0·4 million tonne and onshore crude oil 0·1 million tonne.

Differences between totals and the sums of their component parts are due to rounding.

Table 2
Offshore Gas Production

million cubic metres

Field	1975	1976	1977	1978	1979
Leman Bank	15,015	15,367	15,581	14,719	13,831
Hewett area	7,644	8,113	7,852	6,392	6,288
Indefatigable	6,249	6,355	6,779	6,450	6,006
Frigg (UK)	—	—	614	2,907	5,345
Viking area	5,512	6,046	6,330	5,238	4,397
West Sole	1,826	2,012	1,947	1,533	1,365
Rough	10	512	1,063	931	1,005
Piper*	—	—	—	4	536
Other†	—	10	138	326	455
Total	36,256	38,415	40,304	38,500	39,228

*Associated gas used offshore or delivered to land via the Frigg pipeline system.

†Associated gas produced and used mainly on Northern Basin oil production platforms.

is shown in Table 2. After deducting cumulative production up to the end of 1979, remaining gas reserves are estimated at 750,000 mcm to 2·1 million mcm.

Licensing

By the end of 1979 virtually all the conditional awards made under the sixth round of offshore licensing (see p 300, 1978, and p 105, 1979) had been confirmed by the Secretary of State for Energy. The Government's intentions for the seventh round, which will involve licensing about 90 blocks and include a new feature enabling companies to select blocks of their own choice in a certain defined area, were announced in May 1980 (see p 168). Two new areas of the UKCS, in the northern North Sea, totalling 18,250 sq km (7,050 square miles) and equivalent to about 90 blocks, were designated as areas available for licensing, bringing the total designated area of the UKCS to some 643,000 sq km (248,000 square miles).

Exploration and Development

In 1979, 156 wells were drilled offshore, two fewer than in 1978, comprising 107 development wells, 33 exploration wells and 16 appraisal wells. Five new discoveries, all in the Central and Northern North Sea Basins, were announced: the Tiffany field (in block 16/17) and finds in blocks 2/5, 9/18a, 16/28 and 30/17b. The Secretary of State for Energy gave his approval in 1979 for the development of the Maureen, North Cormorant, North-West Hutton and Tartan fields and in early 1980 for the Brae field's development.

Offshore Orders

In 1979 the total value of orders reported by operators on the UKCS was £2,679 million. British suppliers increased their share of the market from

Table 3
Government Revenues from North Sea Oil and Gas

£ million at outturn prices

	Royalties	Petroleum revenue tax	Corporation tax*	Total
Total 1970-71 to 1975-76	65	—	23	88
1976-77	71	—	10	81
1977-78	228	—	10	238
1978-79	289	183	50	522
1979-80	628	1,435	166	2,229
1980-81 (estimated)	1,090	2,560	450	4,100

*Estimated amount of corporation tax attributed to North Sea oil and gas activities.

Table 4
Contribution of Oil and Gas Production to GNP

£ billion at 1978-79 prices

	1978	1979	1980	1981	1982	1983
Value of oil and gas production	3·4	5·5	7·4	8·3	9·0	9·7
less goods and services bought outside the sector	0·5	0·6	0·7	0·7	0·8	0·9
less interest, profits and dividends due abroad	0·6	1·3	1·7	1·8	1·5	1·6
Contribution to GNP	2·3	3·6	5·0	5·8	6·7	7·2
Percentage of GNP	*1¼*	*2¼*	*3*	*4*	*4*	*4¼*

66 per cent in 1978 to 79 per cent in 1979, when they received orders worth some £2,111 million. The major component was development work (including construction of production platforms and terminals, and installation operations) for which British firms received orders worth £1,685 million, 83 per cent of those placed. British yards were responsible for winning most of the major orders for steel production platforms.

OIL AND GAS AND THE BRITISH ECONOMY

The latest estimates for the contribution of North Sea oil and gas to the Government's revenues and to gross national product (GNP) are given in an article in the July 1980 edition of the Treasury's *Economic Progress Report*.[1] The projections make the working assumption that the future real world price of oil in dollars remains constant at its level in April 1980 and that the level of production is consistent with those in the Department of Energy's annual review (see p 244).

Contribution to Government Revenues

In 1979-80 government receipts of royalties, petroleum revenue tax (PRT) and corporation tax from North Sea oil and gas production amounted to £2,229 million, more than four times the amount received in 1978-79 (see Table 3), although the article notes that £709 million was attributable to an additional PRT payment brought into the financial year by the Petroleum Revenue Tax Act 1980. Government revenue in terms of 1978-79 prices is forecast to rise from £2·75 billion[1] in 1980-81 to £3·25 billion in 1981-82, £4·75 billion in 1982-83 and the same amount in 1983-84. These figures take account of the increase in the rate of PRT from 60 to 70 per cent announced in the Budget (see p 116) but do not allow for the proposed North Sea gas levy.[2] The article points out the substantial increase in government revenues, but notes that even in 1983-84 they will represent less than 7 per cent of projected central government receipts for that year.

Contribution to Gross National Product

The direct contribution of North Sea oil and gas to Britain's GNP (the total sales value of oil and gas production less goods and services bought in from outside the North Sea sector and less interest, profits and dividends due abroad) was a little over 2 per cent in 1979 (see Table 4). By 1983 it may rise to more than 4 per cent of GNP. The article says that, although this 'represents a significant proportion of GNP, it is less than the contribution from, say, construction or agriculture and food production'.

[1]Available from PDSD Distribution Unit, Central Office of Information, Hercules Road, London SE1 7DU.

[1]£1 billion = £1,000 million.

[2]The Secretary of State for Energy announced in the House of Commons on 8 May (*Hansard*, Vol 984, No 171, written answers, cols 191-2) that the Government had decided in principle to impose a levy on the British Gas Corporation in respect of gas purchased from the UKCS and sold to the Corporation under contracts not subject to PRT. Mr Howell said that this would mean that some of the financial benefits which would otherwise accrue to the Corporation would, be permanently transferred to the benefit of the nation as a whole. Legislation would be required and this would be introduced as soon as possible.

BRITISH GAS CORPORATION

In 1979-80 the British Gas Corporation achieved a record level of profits, according to its report and accounts, published on 22 July.[1] On a turnover of £3,513 million, £541 million more than in the previous year, the Corporation achieved a current cost operating profit of £466·3 million (£702·1 million on a historic costs basis), which after interest payments amounted to £425·9 million. This represented a return on turnover of 12·1 per cent, compared with the financial target set by the previous Government of a return on turnover of 6·5 per cent. In January 1980 the Government set a financial target for the three years 1980-81 to 1982-83 of an average annual net return of 9 per cent after depreciation, but before tax and interest, on net assets valued at current cost. This target will be modified to compensate for the gas levy. Having completed the repayment of loans from the Government's National Loans Fund (NLF), the Corporation generated further cash in excess of current requirements and, after discussions with the Treasury, a facility was established whereby the Corporation is able to lend its cash balances to the NLF at rates of interest linked to those paid on gilt-edged securities. During 1979-80 the Corporation deposited £200 million for a period of ten years under this arrangement.

Sales of gas by the Corporation rose by 5 per cent in 1979-80 to a record 16,736 million therms, of which 8,163 million therms went to domestic consumers, 6,513 million therms to industry and 2,060 million therms to commerce. Uncertainty about oil supplies and higher oil prices led to new demands for gas which were considerably in excess of those expected. Consequently the Corporation has taken a number of steps to restrain the growth of demand and, for the longer term, to increase the availability of gas; for example, development of the Morecambe gasfield is being brought forward. The Corporation's capital expenditure is estimated to amount to some £4,000 million in the period 1980-81 to 1984-85.

Relaxation of Postal and Telecommunications Monopolies

The Government has decided to relax the Post Office's monopoly on the carriage of letters and on telecommunications services, and legislation will be introduced to bring about the required changes.

POSTAL MONOPOLY

Details of the decision to relax the postal monopoly were given by the Secretary of State for Industry, Sir Keith Joseph, in the House of Commons on 16 July (*Hansard*, Vol 988, No 214, cols 1494-6). Sir Keith said that for some time it had been clear that the monopoly was more extensive than was sensible and he had therefore decided that some changes were desirable. In reaching that decision, he had taken into account views expressed by those whom his officials had consulted in a Department of Industry review of the monopoly, the Post Office's own report on the monopoly, the views expressed by the Monopolies and Mergers Commission in its report on the letter post in Inner London,[1] and the quality of service received by the customer. There were certain categories of mail which it would be beneficial to remove from the Post Office's monopoly. When the necessary legislation had been enacted, he intended to relax its monopoly on time-sensitive or valuable mail, so that private operators would be free to carry such mail provided they charged a minimum fee (which he proposed should initially be £1) subject to review by the Secretary of State; on document exchanges (already established in a number of larger cities) so that the operators could transport mail in bulk between the common centres; and on Christmas cards to allow charitable organisations to deliver them.

In addition, the Government proposed to amend the law relating to the monopoly in certain other areas. First, Sir Keith said, a number of items would be excluded from the definition of a letter so that those wishing to compete with the Post Office would not be deterred by confusion about the precise extent of its exclusive privilege. Secondly, the law would be amended so that where a letter at some stage went through the Post Office network it might be carried for part of the journey by private carriers provided that it was first stamped; this would enable the large customer some freedom to avoid mail being handled in those parts of the Post Office network known to give rise to delays. Thirdly, although there was no obstacle to individuals or companies delivering their own mail, it appeared that a wholly-owned subsidiary could not deliver mail on behalf of its parent company or other associated companies, and the law would be modified to rectify this anomaly. Fourthly, the Government would watch the Post Office's reaction to 'addressed advertising' and other new market demands and would, if justified, make appropriate relaxations of the monopoly.

Sir Keith said that the legislation would also give the Secretary of State powers to make further relaxations in the Post Office letter monopoly, in respect of certain categories of mail, and powers to remove the monopoly, either in a local area or nationally. He would intend to use the powers in the event of industrial action within the Post Office which halted postal services or led to a serious decline in their quality, or if, after due warning, the Post Office failed for reasons within its control to satisfy him on its performance in serving the public. In deciding whether to use his powers, he would take into account the Post Office's record on productivity, unit costs, quality of service and its financial target. (Earlier in his statement Sir Keith had noted that the quality of

[1] *British Gas Corporation. Annual Report and Accounts 1979-80.* BGC. HMSO, £1·50. ISBN 0 903545 27 6.

[1] *The Inner London Letter Post.* The Monopolies and Mergers Commission. HMSO, £4. ISBN 0 10 251580 8.

the postal service had shown a marked improvement compared with the summer of 1979, when there had been widespread criticism, and the service was now close to the Post Office's own target.)

Sir Keith thought that the measures would stimulate 'greater efficiency within the postal service'. He said: 'Taken together, they clarify the law, open up to competition some parts of the postal monopoly and safeguard the general interest of the customer by making it clear that the letter monopoly is a privilege which the Post Office needs continually to justify through the quality of the service it provides.'

TELECOMMUNICATIONS MONOPOLY

A statement on the Government's plans for relaxing the telecommunications monopoly was made by Sir Keith Joseph in the House of Commons on 21 July (*Hansard*, Vol 989, No 217, cols 29-31). Sir Keith noted that the rapid growth of telecommunications and of information technology provided 'immense opportunities for the industries connected with telecommunications' and that whole new industries and many new jobs would be created. He said that these developments had been under way for a longer time in the United States and had gathered more momentum there than in Britain. He was sure that one of the reasons for the greater success in the United States had been 'the freedom available there to entrepreneurs to develop new services and a wide range of equipment associated with telecommunications'. The opportunities and the market were too great to be encompassed by a single organisation. Accordingly, he had announced in September 1979 (see pp 302-3, 1979) that the Government would be reviewing the monopolies of British Telecommunications (BT)[1] on the supply of terminal equipment attached to the telecommunications network and on the provision of services to third parties using BT circuits.

Sir Keith said that the Government had reached its conclusions following widespread consultations with interested parties. He said that it would be made much easier for equipment supplied by the private sector, including all private branch exchanges, to be attached to the telecommunications network. Subject to a transitional period of about three years, there would be freedom to attach and maintain independently approved equipment which met the necessary technical standards. The only exceptions, for which BT would remain responsible, would be the supply, installation and maintenance of a customer's first telephone and associated wiring connected directly to the main network, and the maintenance of private branch exchanges and associated wiring. This substantial change would give 'the business and domestic customer a wider range of equipment from which to choose and should remove many of the bottlenecks resulting from the Post Office's present exclusive privilege of supplying such equipment'. Sir Keith said that people would be given more freedom to use BT circuits to offer to third parties services not currently provided by BT, for example, in the field of data processing. He expected this change 'to lead to a significant growth in information, data transmission, educational and entertainment services provided over telephone circuits and to the emergence of new businesses'. He was also 'exploring the scope for allowing the private sector to provide telecommunications transmission services such as satellite business systems'. Legislation would be introduced in the next parliamentary session to make provisions for relaxing the monopoly.

Sir Keith hoped that the first benefits of the changes would be apparent within a year or so and that they could be fully phased in over the next three years. He said that the changes would bring new opportunities and challenges, both for BT and the telecommunications industry, and he hoped that both would respond to this greater freedom. They would have the opportunity to expand their range of products to compete successfully, both in Britain and in world markets, and he looked forward to the associated development of new enterprises and industries.

[1]On 21 May the Post Office announced that, under the Government's proposals to divide the organisation into two corporations (see pp 302-3, 1979), the new corporation to run the telecommunications business, to be known as 'British Telecommunications', would trade under the name 'British Telecom'. The new trading name was being launched that day, but until the new corporation was established by legislation, the business would adopt the title 'British Telecommunications, part of the Post Office', where formal identification was needed.

Electricity Supply

The Secretary of State for Energy, Mr David Howell, has announced that, following a review of the structure of the electricity supply industry in England and Wales, legislation would not be introduced to change the organisation of the industry, but instead he would seek improved working relationships within the industry under existing statutes. Lower profits were recorded in 1979-80 by the electricity supply industry in England and Wales and by the two electricity boards in Scotland.

ORGANISATION OF THE ELECTRICITY SUPPLY INDUSTRY IN ENGLAND AND WALES

Details of the Government's views on the future organisation of the electricity supply industry in England and Wales were given by Mr Howell in the House of Commons on 14 July (*Hansard*, Vol 988, No 213, written answers, cols 446-8). Mr Howell said that he had given careful consideration to the future organisation of the industry and had consulted widely on the subject. The industry's present structure dated from the Electricity Act 1957 and comprised 13 statutory boards – the Central Electricity Generating Board and 12 area boards – and the statutory Electricity Council as a central co-ordinating body for the industry.[1]

[1]For more detailed information on the industry and its organisation see COI fact sheet *Electricity Supply*, No 20/FSI/80.

In 1976 the Plowden Committee had recommended the unification of the industry into a single corporation (for publication details of the report see p 94, 1976), and the previous Government had published proposals for such a corporation in a draft Bill. However, the creation of a large single corporation 'would carry significant risks of over-centralisation'. Accordingly, he had informed the House of Commons in July 1979 that, although he did not rule out legislation to effect desirable change in the industry if it were necessary, he preferred 'to seek improvements if at all possible without it'. Mr Howell said that he had now concluded that improved working arrangements could be developed within the existing statutory framework. He proposed 'to develop relationships between the Council and the boards, strengthening the co-ordinating and advisory role of the Council and of its Chairman', whom he regarded as his main policy adviser within the industry, 'in the development of industry-wide policies'. He also looked to closer links between the boards, especially at local levels. The Council and individual boards had assured him of their commitment to his policy. In particular, there was agreement on the development of co-operative working in a number of ways; for example, the boards would co-operate with the Council in producing an improved financial reporting system and the Council would advise him on the further development of physical, technical and financial performance measures by the boards.

During a debate in the House of Commons on 21 July on public sector industries (*Hansard*, Vol 989, No 217, cols 41-160), Mr Howell confirmed the Government's 'intention to remove the statutory prohibition [for private sector companies] on the generation of electricity as a main business' as soon as a suitable opportunity arose (cols 61-2).

ANNUAL REPORTS

England and Wales

There was a substantial fall in the profitability of the electricity supply industry in England and Wales, according to the annual report and accounts of the Electricity Council, published on 31 July.[1] The industry's operating profit was £513·8 million (£161 million less than in 1978-79), representing a return on average net assets employed of 7·4 per cent, and net profit after interest payments fell by £214 million to £37·2 million. Turnover rose by £726 million in 1979-80 to £6,171 million, of which sales of electricity totalled £5,742 million, sales of appliances £240 million and contracting work £111 million. Sales of electricity fell by 0·2 per cent to 204,762 gigawatt-hours (GWh) in 1979-80, with sales to domestic consumers declining by 3·3 per cent to 73,570 GWh, although sales to industry rose by 1·8 per cent to 83,709 GWh. The report says that in the early part of the year economic growth was quite rapid but by autumn 1979 the growth of manufacturing output and personal disposable income had fallen away and this was reflected in electricity sales. Capital expenditure in 1979-80 amounted to £834 million and 81 per cent of capital requirements were financed internally.

In 1979-80 the industry's power stations supplied 221,651 GWh of electricity, of which 88·4 per cent was supplied by conventional power stations using coal, gas or oil, 11·4 per cent by nuclear power stations, and the remainder by gas turbines, diesel and hydro-electric plant. In March 1980 the industry operated 132 power stations with a declared net capability of 57,029 megawatts (MW). During the year 1,181 MW of new generating plant were commissioned and at the end of March 1980 some 13,400 MW were under construction. The industry welcomed the 'positive announcement on the Government's proposed nuclear power programme and the nuclear industry' made in December 1979 by the Secretary of State for Energy (see pp 23-4).

Scotland

The South of Scotland Electricity Board met the financial objective set by the Government of breaking even on its revenue account, according to its report and accounts for 1979-80.[1] Its turnover in 1979-80 was £519·4 million and there was an operating profit of £65·7 million, which represented a net profit of £0·1 million after payment of interest charges. Output capacity increased by 5·5 per cent to 7,826 MW mainly as a result of the entry into service in August 1979 of the third and final 660-MW stage of the oil-fired power station at Inverkip (Strathclyde). Preliminary civil engineering work on the new 1,320-MW nuclear power station at Torness (Lothian) continued under a programme in which the first reactor is to be commissioned in 1987 and the second in 1988.

In 1979-80 the North of Scotland Hydro-Electric Board made a net profit, after interest payments, of £1·7 million, £0·4 million less than in the previous year, on its total income of £202·6 million, according to its annual report.[2] Its operating profit was £52·9 million, which was equivalent to a return on net assets of 9·7 per cent (the same as in 1978-79).

[1] *The Electricity Council. Annual Report 1979-80.* Available from The Electricity Council, 30 Millbank, London SW1P 4RD. ISBN 0 85188 079 7. The consolidated accounts for the industry are contained in *The Electricity Council. Statement of Accounts and Statistics 1979-80.* The Electricity Council. HMSO, £2. ISBN 0 85188 080 0. See also *Central Electricity Generating Board. Annual Report and Accounts 1979-80.* Available from the CEGB, Press and Publicity Office, Sudbury House, 15 Newgate Street, London EC1A 7AU, £2. ISBN 0 902543 60 1. Detailed statistics are given in *CEGB Statistical Yearbook 1979-80.* Available from the CEGB. ISBN 0 902543 61 X.

Self-regulation at Lloyd's

A report on the constitution of the Lloyd's insurance market and the powers of the Committee which administers Lloyd's recommends that the Committee should promote a new

[1] *South of Scotland Electricity Board. Report and Accounts 1979-80.* Available from the SSEB, Cathcart House, Glasgow G44 4BE.

[2] *North of Scotland Hydro-Electric Board. Report and Accounts 1979-80.* Available from the NSHEB, 16 Rothesay Terrace, Edinburgh EH3 7SE.

private Act so that the constitution can be brought up to date and the powers of self-regulation enlarged.

The report[1] was produced by a working party established by the Committee of Lloyd's in February 1979. Its chairman was Sir Henry Fisher and there were six other members. The terms of reference were to inquire into self-regulation at Lloyd's and in the process to review the constitution of Lloyd's, the powers of the Committee and their exercise, and other relevant matters. The report says that the objectives for Lloyd's which the working party identified in formulating its recommendations are 'largely those which successive Committees of Lloyd's have regarded as fundamental for the success of Lloyd's: . . . the maintenance of the security of the Lloyd's policy, the maintenance of the highest standards of conduct and integrity by all users of the market, the preservation of Lloyd's as a market where conditions of free competition can obtain and the maintenance of standards of fair treatment for those members of the Lloyd's community who can reasonably look to the Committee for protection.' Among the main recommendations of the working party are: the transfer of rule-making and disciplinary power to a new body, to be called the Council of Lloyd's; a strict separation between the activities of Lloyd's brokers and those of the managing agents of underwriting syndicates; and the abolition of the restriction whereby the degree of ownership of Lloyd's brokers by non-Lloyd's insurance interests is limited to 20 per cent.

Commenting on the report, Mr Reginald Eyre, Parliamentary Under-Secretary of State for Trade, said that it was a thorough analysis for which the working party was to be congratulated. Ministers wanted Lloyd's to continue as a self-regulating body, and the interests of all those concerned obviously required self-regulation to be effective. The report put forward a set of proposals to that end which deserved full examination. The report was commissioned by Lloyd's and it was for them to consider it and bring forward proposals for action.

Background to Self-regulation

Lloyd's[2] is exempted from most of the requirements of the Insurance Companies Act 1974. It is largely self-regulated but operates within the legal framework of the four Lloyd's Acts of 1871, 1911, 1925 and 1951 and the by-laws made under them.

The freedom granted by the law, the working party points out, carries great responsibility. Although there are some who question the whole concept of self-regulation the working party has 'no doubt that Lloyd's will be best served by a properly conducted system of self-regulation'.

A Council of Lloyd's

The 1871 Act gave Lloyd's the power to make by-laws for a large number of stated purposes. These are made by resolution of a general meeting of members. The Act also provided for a Committee to manage and superintend the affairs of Lloyd's. However, the Committee's rules are not binding and disobedience of them is not an offence.

The working party feels that, because of the pronounced increase that has taken place in the membership of Lloyd's, the general meeting is no longer a suitable body to make by-laws. It proposes that this power be transferred to a new body, the Council of Lloyd's. The Council, it is suggested, should consist of 16 members elected from among the working members of Lloyd's, six members elected from among the non-working members and three members from outside Lloyd's nominated by the Council with the approval of the Governor of the Bank of England.

The functions of the Council would be the same as those of the Committee, as laid down in the 1871 Act; it would be responsible for policy and strategic planning and have the power to make by-laws and exercise disciplinary powers. The working party envisages that the executive functions carried out by the present Committee of Lloyd's would be delegated to a committee of the Council, to be known as the Committee of Lloyd's, consisting of the 16 Council members who are working members and with the chairman of the Council as its chairman. Disciplinary powers would be delegated to a standing Disciplinary Committee separate from the executive members of the Council but subject to confirmation by it.

Lloyd's Brokers and Underwriting Agents

A prominent topic in the evidence received by the working party was the control of underwriting agencies[1] by Lloyd's brokers. Formal control of agencies by Lloyd's brokers is ruled out by the requirement that 75 per cent of the voting shares in an underwriting agency shall be held beneficially by members of Lloyd's approved by the Committee. 'It has been strongly suggested to us that the link between Lloyd's brokers and managing agencies creates an unacceptable conflict of interest and that this link should not be permitted.'

The working party feels that action contrary to the interest of underwriting members may occur if a Lloyd's broker puts 'pressure on the active underwriter of a controlled syndicate to underwrite risks contrary to his better judgment, or to write business at premium rates below those which he would offer to other brokers, or to give commissions higher than those he would give to other brokers, or to settle claims on terms which he would not otherwise agree'. Action contrary to the interest of assured parties may take place if a Lloyd's broker gives business to a controlled syndicate even though better terms are available from other syndicates. This would also be contrary to the interests of Lloyd's as a market because its competitiveness is impaired if brokers

[1] *Self-regulation at Lloyd's. Report of the Fisher Working Party.* Available from the Publicity and Information Department, Lloyd's, Lime Street, London EC3M 7HA. £20.

[2] For further information on Lloyd's see COI reference pamphlet *Insurance in Britain,* R5787/78, pp 24-8.

[1] The underwriting members of Lloyd's are formed into syndicates, which vary in size from a few members to several hundred. The syndicates are represented at Lloyd's by underwriting agents who, through active underwriters, accept risks on behalf of their syndicates. Members must transact insurance with unlimited liability.

do not place their business with those underwriters offering the best terms.

The working party says that evidence on the actual occurrence of undue pressure by brokers on an active underwriter writing for a broker-controlled syndicate is conflicting. Although evidence is hard to come by, the working party is satisfied that instances of abuse do occur. It is therefore 'agreed that logic points towards a complete divorce between Lloyd's brokers and managing agents [of underwriting syndicates]'. The working party is divided on the question of compulsory divestment by Lloyd's brokers of shares in managing agencies but the majority view is that divestment should be enforced and the formation of links prohibited in future.

Lloyd's Brokers and Non-Lloyd's Insurance Interests

The working party says that a special concern of the Committee of Lloyd's has been the control of Lloyd's brokers by non-Lloyd's insurance interests. To deal with this problem the 20 per cent rule was introduced, according to which shareholdings in a Lloyd's broker by non-Lloyd's insurance interests are limited to 20 per cent of the total share capital. The rule does not discriminate between British and foreign interests and does not apply to non-insurance interests. The rule arose out of the desire to ensure that the management of Lloyd's brokers would be genuinely independent, the belief that non-Lloyd's insurance interests would be more likely to interfere with the management than other controlling interests and the feeling that they might not be responsive to the Committee's requests.

The existing Committee's powers to control and discipline Lloyd's brokers are insufficient, the working party says. It feels that necessary powers can be obtained only through new by-laws which cannot be introduced until the passage of a new private Act. 'Once these new provisions have been introduced, we do not believe that the Committee need seek to impose an absolute limit on shareholding in Lloyd's brokers by non-Lloyd's insurance interests. Such a limitation would no longer in our view be necessary for regulatory purposes; and it might well be difficult to obtain clearance for it under [European Community] regulations. It will be for the Committee to decide whether it must retain its 20 per cent rule until the new legislation is enacted.'

Shorter Notes

INDUSTRIAL ROBOTICS

A research and development programme in industrial robotics costing some £500,000 a year over the next five years, to be carried out by universities and industrial companies in partnership, was launched by the Science Research Council (SRC) on 24 July.

The programme aims to 'leap-frog' the present generation of robotic devices and provide the research needed to ensure that British industry can take full advantage of the 'intelligent' robot (a robot containing some internal storage and processing ability) as it emerges in the mid-1980s. The programme will be co-ordinated by a small technical management team based at the SRC's Rutherford and Appleton laboratories.

Future industrial robots, particularly for assembly tasks, will need to be much faster, cheaper, more reliable and more accurate than current models. They must be more tolerant of imperfections in the parts being assembled, and in the way these are presented. To achieve such improvements the council has identified a number of research topics as central to the programme, including: the development of fast and cheap tactile, visual and aural sensory devices; the development of modular robot construction; research on better, cheaper and lighter linkages and actuators, and the effect of wear on accuracy; the optimisation of robot dynamics; research on supervisory functions such as safety; and the development of standards.

The first partnerships under the programme are: Hull University and GEC-Marconi, assembly of electronic circuit boards and small electric motors; Warwick University and Lansing Bagnall, free-roving driverless warehousing trucks; and Nottingham University and the Production Engineering Research Association, robot computer software simulation. Two further partnerships, one between Edinburgh University and GEC, the other between Oxford University and BL, are in process of being established.

MICRO-ELECTRONICS

The Government has approved the provision of a further £25 million by the National Enterprise Board to INMOS (see p 130, 1979) for the building of its first production plant in Britain for advanced micro-electronic memory products. The plant will be situated in south Wales.

Announcing the decision in the House of Commons on 29 July (*Hansard*, Vol 989, No 223, col 1312) the Prime Minister, Mrs Margaret Thatcher, said that the first £25 million provided by the previous Government (see p 262, 1978) went to providing a factory in the United States and a technology centre in Bristol. Though the National Enterprise Board (NEB) had recommended [in December 1979] that a second tranche of £25 million should be provided for a production plant at Bristol, the Government, said Mrs Thatcher, had doubted whether it was justified to build a factory in Bristol in view of greater needs elsewhere.

Following a full-scale review by independent consultants, the NEB has now recommended that top priority should be given to establishing a production plant in Britain and that it should be in south Wales, INMOS having independently concluded that the plant should be located where it could attract the maximum amount of government and European Community aid, while maintaining proximity to the technology centre. Mrs Thatcher

said the Government was approving the second £25 million on that basis.

Manufacture of the advanced memory products – known as 16K static and 64K dynamic RAMs (random-access memories) – is expected to create up to about 2,000 new job opportunities over the next three or four years. A second production plant in Britain – also to be located in an assisted area – is planned, which should provide a further 1,650 jobs by 1985.

BIOTECHNOLOGY

The Government has approved an investment by the National Enterprise Board (NEB) in a new company to specialise in the rapidly developing business field of biotechnology (see also p 136), to be formed shortly with a share capital of £12 million. One of the company's objectives will be to make available for use by industry a range of products and know-how derived from Britain's outstanding research position in biotechnology.

The founding shareholders of the company, other than the NEB, are likely to be Prudential Assurance, Midland Bank, British and Commonwealth Shipping, and Technical Development Capital (a member of the Finance for Industry group). The NEB and its partners in the company are at present engaged in establishing the details for co-operation with the Medical Research Council and other scientific institutions with the intention of translating scientific knowledge and skills into commercial ventures.

ENGINEERING PROFESSION

The Government has proposed the establishment of a new body for the engineering profession, and is to recommend to the Privy Council that the Queen be advised to grant the body a Royal Charter.

This proposal – which constitutes the Government's response to the report of the Committee of Inquiry into the Engineering Profession (see pp 60-1) – was announced by the Secretary of State for Industry, Sir Keith Joseph, in answer to a question in the House of Commons on 7 August (*Hansard*, Vol 990, No 230, written answers, cols 290-2). The new body would not be statutory, but the Government would, after full consultation with those concerned, be prepared to nominate the initial members for a limited period. The body's central responsibilities would be similar to those recommended by the committee of inquiry, centring on the accreditation of engineering education and training and the formal registration of those engineers qualified thereby. However, instead of the new body organising accreditation visits to education and training institutions and assessments of individual registrants, Sir Keith expected this work to be delegated to nominated institutions, the new body simply determining the standards to be applied. The Government would expect the body to become self-financing quickly though it would be prepared to support initial funding.

Sir Keith pointed out that though the report had been widely welcomed, its central proposal affecting the Government – that a new statutory Engineering Authority be created, with all its members appointed by the Government – had been the object of much controversy. Many had expressed concern that a body of this kind would represent undue Government interference in the affairs of the engineering profession. There did nevertheless seem to be a readiness in the profession and among employers and academics to tackle widely perceived deficiencies in the present institutional arrangements for the education and training of engineers, and the Government had discerned a willingness from every quarter to help to make the best use of Britain's national engineering capabilities. It therefore seemed sensible for the Government to facilitate the emergence of a focal point for engineers, academics and employers to work with the existing institutions to remedy the deficiencies identified by the report. The necessary arrangements would have to be discussed in detail with the institutions and Sir Keith was authorising officials to enter into discussions with a view to the new body being established later in 1980.

BRITISH RAIL SUBSIDIARIES

Proposals for the introduction of private capital into the main non-railway subsidiaries of the British Railways Board (BRB) were announced by the Minister of Transport, Mr Norman Fowler, in the House of Commons on 14 July (*Hansard*, Vol 988, No 212, cols 1054-5). Mr Fowler said that the Government and the Chairman of the BRB had completed 'a preliminary examination of the opportunities for involving private risk capital to a significant extent in financing these subsidiaries'. They both believed that it would be 'to the advantage of British Rail, as a significant element in the economy, its workforce and the public using its services to take advantage of these opportunities'. The businesses involved were Sealink UK Ltd (one of the biggest ferry operators in Europe), British Transport Hotels Ltd, British Rail Hovercraft Ltd and certain British Rail property holdings.[1] He believed that this policy would 'provide significant new opportunities for the subsidiary companies to develop and expand their businesses'.

The BRB is proposing to establish a company to hold the assets and shares of these subsidiaries. The company, which would be a wholly-owned subsidiary of the BRB, would be responsible for introducing private capital into the individual businesses by the most appropriate means. It is intended that the businesses should as soon as practicable pass into effective private sector ownership. Legislation will be necessary to strengthen the powers of the BRB and the Minister, and the Government intends to introduce a Bill in the autumn of 1980.

[1]A brief description of these subsidiary activities is given in COI fact sheet *Railways*, FSB/E9/79.

Minister's Speech to the UN Conference for Women

In a speech to the United Nations World Conference for Women, Baroness Young, Minister of State at the Department of Education and Science and leader of the United Kingdom delegation, reviewed aspects of the position of women in British society today and identified some of the problems encountered. The Conference, held in Copenhagen from 14 to 30 July, discussed progress at the mid-point of the United Nations Decade for Women 1976-85 – the broad themes of which are equality, development and peace – and considered objectives for the second five years.

Baroness Young's Speech

Baroness Young referred to British achievements in promoting the equality of women. Important legislation for women in Britain included the equal pay legislation and the Sex Discrimination Act 1975 (see pp 165-7, 1975) which made it unlawful to discriminate between the sexes in such important areas as employment and training, education and the provision of goods and services. Two provisions were of particular interest. First, the Act established the Equal Opportunities Commission, an independent statutory agency, which was funded entirely by the Government. The Commission had three main duties – to work towards the elimination of sex discrimination; to promote equality of opportunity between men and women generally; and to keep under review the working of the legislation and to make the necessary proposals for amending it. It had a duty to advise and guide the public on its responsibilities and rights. 'It has a major role therefore', said Baroness Young, 'in educating and training public opinion. Only by this process of change can we hope to achieve full equality of opportunity for women.' Second, the Act gave any woman who considered that she had been the victim of unlawful discrimination the right of direct access to a court. Moreover, the Equal Opportunities Commission provided guidance and assistance to individuals wishing to present and pursue a case through the courts.

Education

Education in the United Kingdom was a national service locally administered, said Baroness Young. 'As regards the education of girls our present need is for changes not in legislation but in attitudes.' Attitudes held by administrators, parents, teachers and boys and girls themselves tended often to steer girls into specialising in the humanities and dropping mathematics and sciences at an early age. There was evidence that girls at single-sex schools were more likely to continue to study mathematics and sciences than those in co-educational schools, where the available tuition in those subjects tended to be given to boys. However, progress was being made in helping people of both sexes to keep open a wide range of career options by ensuring that a basic curriculum was followed by all children to the age of sixteen, and by providing full career advice in schools. The overriding need in education should always be to meet the needs and aptitudes of the individual child.

Turning to post-school education, Baroness Young said that in the ten years to 1978-79 there had been a dramatic increase in the number of full-time women university students, an increase of 75 per cent for women compared with 22 per cent for men. There was also a growing tendency for women to seek adult education courses with a vocational content. The Open University, with its flexible study hours and course arrangements in which students could organise study around their normal working and domestic circumstances, had brought higher education into the reach of large numbers of women. The University was non-residential and provided part-time degree and other courses by means of a combination of television and radio broadcasts, correspondence courses and summer schools. About 44 per cent of students were women and they accounted for a similar proportion of graduates.

Problem Areas

There were, however, problem areas, said Baroness Young, some of them in employment. Despite the equal pay and sex discrimination legislation, women were often prevented from participating fully in the economy because of traditional attitudes and practices. Real progress could only be achieved if all those concerned worked together. This was not just a matter for governments; employees, trade unions, teachers – and women themselves – must each make their contribution. 'It is all the more important that, at a time of social and economic change and when new opportunities are presented by advancing technology, women are prepared to broaden their horizons.

Both men and women must be prepared to train for new jobs.' Britain was not alone in experiencing rising unemployment, and there was a real danger that the decline in traditionally female areas of work would lead to particular problems for women. Although there had been marked progress towards widening the range of women's occupational activities, every effort must continue to be made to make all concerned aware of the opportunities available.

Baroness Young expressed disappointment that in the general election of 1979 fewer women Members of Parliament had been elected than for many years. There was no easily identifiable reason for this. Women in Britain had enjoyed full and equal political rights with men since 1928 and the proportion of candidates continued to increase. 'Their election rests with the electorate and I am glad to say that a significant proportion of women were elected to the European Parliament .... we should not allow opportunities which have been won to slip from our grasp. The initiative remains and must remain with women.'

United Nations Convention

Turning to the United Nations convention on the elimination of all forms of discrimination against women, Baroness Young said that Britain had voted in favour of the convention at the thirty-fourth General Assembly but had expressed disquiet at the way in which it had been drafted and at the number of points which were still unclear. There were some detailed implications that still needed to be considered. The British Government took its responsibilities under international conventions seriously and did not sign them until it knew that it would be able subsequently to ratify them. Britain would not, therefore, be able to take part in the signing ceremony that week. [In a written answer in the House of Commons on 31 July (*Hansard*, Vol 989, No 226, col 809) the Government announced that it is studying the convention with a view to signature and ratification. It is still identifying possible areas of difficulty in relation to present practices – for example, the convention's applicability to the Armed Forces and its compatibility with existing legislation and practices on nationality and immigration.]

Developing Countries

Baroness Young went on to describe Britain's programme of co-operation with developing countries and its formal policy which called for specific attention to be paid to women. 'In the last five years women have been identified as participants and beneficiaries in many of the projects and programmes in which my Government has co-operated – in developing agriculture, in improving health and educational services, in providing more adequate water supplies, in addressing the increasingly urgent problem of renewable energy, and in bringing students to Britain for advanced training.' Women were often neglected unconsciously, and Britain had developed a checklist of questions designed to avoid this. However, it was important to remember that no outside agency could dictate the design of a project – that was entirely the responsibility of the government concerned. Baroness Young spoke of the role Britain had played in supporting such agencies as the United Nations Children's Fund and the United Nation's Fund for Population Activities. 'I would ... like to join in the general consensus that there is a continuing and urgent need for co-ordination between agencies if the best possible use is to be made of scarce resources.'

The Second Half of the Decade

In conclusion Baroness Young said that the adoption of a programme for the second half of the Decade would involve an inevitable dilemma. 'Above all we want to advocate practical measures, yet it is very difficult for a programme to be both practical and relevant to the great variety of social conditions that exist between and within the countries represented here.' She welcomed the recognition in the draft programme of that diversity and hoped that in planning new measures the Conference would not lose sight of the original priorities. 'The next five years must be years of consolidation in certain directions, of further exploration in other directions. We must keep going the action which has made the whole world sensitive to the needs and capabilities of fifty per cent of its population.' [The programme was adopted by majority vote; Britain and its European Community partners were among the countries to abstain from voting. For Britain the programme was made unacceptable through the inclusion of certain political elements extraneous to the purpose of the Conference.]

[For further information on some aspects of women in Britain see COI factel *Britain and the United Nations Decade for Women*, No 63/Factel/80.]

Race Relations

In a wide-ranging speech reaffirming the Government's commitment to good race relations the Home Secretary has discussed employment, education, relations between the police and ethnic minorities, the 'sus' law, illegal immigrants, the activities of extremist political groups, the proposed new nationality law and the attainment of equality of opportunity for all citizens.

Home Secretary's Speech

Addressing the Birmingham Community Relations Council on 11 July, the Home Secretary, Mr William Whitelaw, said he wished to reaffirm the complete commitment of the Government to a society in which all individuals, whatever their race, colour or creed, have equal rights, responsibilities and opportunities. 'It would be premature to imply that we have already arrived at a racially just society.... But we must not belittle the progress we have already made, particularly the progress which the ethnic minorities have achieved by their own efforts .... we do ourselves as a country no good by constantly under-

valuing our own achievements. Nor, as we aim to improve the position of the ethnic minorities, do we help them or anybody else by running down the success that many of their members have made of their lives in this country. The ethnic minorities have shown themselves willing to take their part in society, to assume its responsibilities as well as its benefits.'

Employment

Mr Whitelaw turned to the subject of employment and the challenge posed by the present state of the economy. The Government knew the extent to which the ethnic minorities were affected by changes in the level of employment. For many reasons – including the nature of their jobs and the age structure of the minority population – people in the ethnic minorities suffered more than the rest of the community when jobs were scarce; but, equally, people in the ethnic minorities stood to benefit particularly greatly from a strong economy. To control inflation and create a climate where real jobs flourished and unemployment was reduced was not an easy task. In the meantime, he recognised the very special problems which young people in the ethnic minorities might face in getting their vital first job. The impression was sometimes unwittingly given that young people from the ethnic minorities might be particularly difficult to employ. The great majority of young people in the ethnic minorities wanted to work, and were ready to work hard. They had a valuable contribution to make to Britain's economic life, and society should be more ready to recognise this.

Education

There were difficulties also in the field of education. Education played a crucial role in securing equal opportunities for all citizens, and this was particularly so for children from the ethnic minorities. Increasingly, their needs were more complex, reflecting the changing nature of the ethnic minority communities. Fewer children now came to school without any knowledge of English; but there were still many who came with an insufficient grasp of the language, because English – or a standard version of it – was not spoken in their homes. The values of school might be different from those at home, which were affected by religion and social custom, and the tension between the different cultures of school and home could be painful. Many of the children from the ethnic minorities, moreover, came from disadvantaged areas in the cities where limited prospects and a poor environment could affect performance at school. In this situation, there was bound to be concern about the achievement of children from the ethnic minorities, and it was essential to look carefully at the needs of these children. That was one reason why the Government attached particular importance to the work of the Committee of Enquiry chaired by Mr Anthony Rampton, which was looking at the educational needs of children from the ethnic minorities. The Committee hoped to make its interim report – on the educational needs and attainment of children of West Indian origin – towards the end of the year.

The Rule of Law

Mr Whitelaw turned to the question of the right to live in peace under the rule of law. On basic issues, he said, all citizens shared the same values. Yet some members of the ethnic minorities were urging lawlessness and from others had come a call for non-co-operation with the police. He totally repudiated such policies. He could not accept that rejection of the rule of law was ever justified. To those who pretended that lawlessness could ever be a viable alternative to constructive work within society he would say that not only did they cut themselves off from the vast majority of their fellow citizens, black as well as white, but they played directly into the hands of extremist organisations which were all too ready to exploit such situations for their own ends.

Relations with the Police

Mr Whitelaw said he knew that difficulties sometimes arose in relations between the police and the ethnic minorities, but refusal to co-operate with the police was no answer. Positive action was needed on both sides to improve relations. Much had been done by different police forces throughout the country through training and liaison to heighten the sensitivity of individual officers to problems and to develop good relations with local minority communities.

The 'Sus' Law

The Government's position on the 'sus' law was next referred to by the Home Secretary [this is the 'suspected persons' provision of the Vagrancy Act 1824 under which a person may be charged on suspicion of loitering with intent to commit an offence; its use has been the cause of concern to members of the ethnic minorities and others]. The House of Commons Select Committee on Home Affairs had recommended that this offence should be repealed (see p 227). The Government had made it clear that it accepted the need for a change in the law but was concerned that, if the offence was repealed immediately, certain acts which showed indisputable criminal intent would be legalised. The Government was therefore looking at this issue in the context of the criminal law as a whole. It believed that there might still be some activities, in respect of which 'sus' is sometimes used, which ought to remain within the ambit of the criminal law. The kind of activities the Government had in mind were some forms of attempt which would be covered by a law of attempt reformed on the lines recommended in a recent report by the Law Commission. There was probably a case for certain specific provisions, such as tampering with car door handles, but the Government was not proposing simply to rewrite 'sus' in a modern form or dress it up in a different way. It accepted that there was ground which need no longer be covered by an offence such as 'sus'.

Illegal Entry

The Home Secretary said the Government recognised the concern felt over the joint police and immigration service operations to trace illegal entrants. It was conscious of the feelings of fear

and insecurity which could plague members of minorities in any society. The Government had a responsibility to remove the reasons for these. This was the approach it would adopt in respect of the difficult subject of illegal immigration and overstaying. Parliament had laid on the police and the immigration service the task of enforcing the immigration laws and it was their duty to undertake investigations when evidence of illegal immigration, unauthorised employment or overstaying was brought to their notice. At the same time, the Home Secretary recognised the adverse effect that operations, which involved questioning large numbers of people from particular ethnic groups, could have on race relations if they were not handled with the greatest care. He was therefore reviewing the procedures followed in these joint operations and hoped that this would enable the Government to find ways of enforcing the law without damage to good race relations. Meanwhile he wished to make it quite clear that no-one who was lawfully in Britain should feel he need carry his passport when going to work.

Extremist Groups

The Government understood fears and feelings of insecurity and its aim was to remove them. But fears were often fed not by facts but by myths, by misinformation and misunderstanding. Mr Whitelaw urged all ethnic minorities to listen to what members of the Government were actually saying, and to ignore both what extremists of the right might be urging on the Government, and what extremists of the left might be falsely misrepresenting Government policies to be. The Government was always ready to answer questions and explain. The best defence against false fears was the plain truth.

'I must also give an even more solemn warning against any resort to violence. I have already had occasion to condemn any form of lawlessness, or deliberate refusal to co-operate with the forces of law and order. The most objectionable forms of lawlessness are those in which violence is deliberately harnessed to political ends. Extremism, terrorism and violence in international affairs are the most menacing developments in the world today. Whatever short-term gains may sometimes appear to be achieved, the long-term effect can only be to damage the whole fabric of society. These extremists are all too ready to create conditions which lead to violence.'

Nationality Law

Recognising the apprehension among the ethnic minorities about the effects of proposed new nationality legislation (see p 231), Mr Whitelaw said that such apprehension was misplaced.

In any changes of the nationality law which the Government might introduce, there would be proper safeguards for all those who were lawfully settled in Britain even if they had not acquired United Kingdom citizenship. The new nationality law would not affect the right that any person had under the immigration law to stay in Britain. Similarly, any application for citizenship which was still under consideration when the law was changed would be dealt with according to the law when the application was made.

Equality of Opportunity

Finally, the Home Secretary spoke of his hopes for the future attainment of a society where opportunities were equal for all citizens. 'We want a society in which everyone is treated according to their own merits as a human being and a fellow citizen, and not on the basis of irrational preconceptions; a society in which individual customs and traditions are respected; a society in which equal opportunities are open to all regardless of race, colour or creed. This can only be achieved by the development of mutual understanding. I firmly believe that we must all take responsibility for developing this understanding. . . . I do not believe that there are separate roads to the equal society for black and for white. The idea of separatist policies has no place in the sort of society we should be aiming to build in this country. All our citizens, black and white, are entitled to equal treatment and equal opportunity.

'To achieve the kind of society which we wish to see it is necessary for all of us to make a positive effort. I have already mentioned the need for the ethnic minorities to demonstrate a commitment to our society. I hope to see their members taking on an even greater role in public life through national and local organisations, through trade unions and political parties. More generally, I would wish to see the ethnic minorities breaking through the obstacles of language and custom which cut many of them off from their fellow citizens. And I would hope that members of the ethnic minorities will recognise that they can do this and still retain their own languages, customs and cultural loyalties.

'To the white community my message is simple and unequivocal. Black people are part of Britain and part of Britain's future. They are entitled to the same respect, the same consideration, the same treatment as any other citizen. These are facts which must be accepted. But mere grudging acceptance is not enough. If our society is to prosper, mutual regard must be one of the qualities of good citizenship.'

National Health Service

Proposals have been made by the Government to simplify the administration of the National Health Service in England and Scotland; consultations are taking place over the future structure of the service in Wales.

In a statement to the House of Commons on 23 July (*Hansard*, Vol 989, No 219, cols 499-525) the Secretary of State for Social Services, Mr Patrick Jenkin, said that the main purpose of the changes in England was to provide a health service which was better and more efficiently managed, and where local decisions could be taken more quickly by local people. It was

expected that it would be possible to make significant reductions in management costs, after a transitional period, of some 10 per cent, equivalent to about £30 million a year at present prices. This would release resources which could be used for patient care.

Proposals for Reorganisation

The main proposals are as follows: the present 90 area health authorities, which are divided into 199 districts, will be replaced by new district health authorities generally serving populations of between 150,000 and 500,000 and following closely the boundaries of existing health districts. Decision-making will be brought down, as far as possible, to hospital and community level, with a strengthening of management at that level. In order to facilitate this, district health authorities are to be given greater flexibility in deciding the structure of management teams. The responsibilities of the regional health authorities for strategic planning, the allocation of finance to the districts and the maintenance of financial discipline will remain. With a view to enhancing further local autonomy, however, the role of the regional health authorities is to be reviewed. Community health councils are to be retained in the new structure, one to each district. Later this year a consultative paper seeking views on their membership, role and powers will be issued. It is intended that the functions of the councils should also be reviewed after the new district health authorities have been established. The proposals for reorganisation are expected to take effect on or by 1 April 1982.

A document is to be issued in the autumn outlining the Government's strategy and priorities for the health services in general.

Scotland

The Secretary of State for Scotland, Mr George Younger, announced changes to the health service in Scotland in a statement to the House of Commons on 28 July (*Hansard*, Vol 989, No 222, cols 1043-4). In order to improve efficiency, health boards are to delegate as much authority as possible to local level, and some of the non-statutory administrative bodies below the health boards are to be abolished. Consultations on other aspects of the service are to continue.

Shorter Notes

ARCHITECTURAL COMPETITIONS

The Secretary of State for the Environment, Mr Michael Heseltine, has announced that he would like to see more competitions in architecture to give a chance for quality to emerge and for clients to benefit from a greater choice of solution, with the aim of fostering high architectural standards. Speaking at the annual conference of the Royal Institute of British Architects on 18 July, Mr Heseltine said: 'as a generation we shall be judged by the architecture we leave behind us'.

The Property Services Agency (the Government's estate management division) will initially be holding competitions for three projects, while two of the new towns, Central Lancashire and Milton Keynes, have agreed to hold competitions for low-cost owner-occupied housing. Mr Heseltine rejected as unsatisfactory existing planning applications for two important riverside sites in London, one adjoining Vauxhall Bridge for a building dubbed the 'green giant' and the other between Waterloo and Blackfriars Bridges and known as Coin Street; he said that he would like to see both of these sites the subject of architectural competitions.

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